



SML ISUZU LIMITED

Annual Report 2012

SML ISUZU LIMITED (FORMERLY SWARAJ MAZDA LIMITED)

BOARD OF DIRECTORS

S.K. TUTEJA Chairman
HARKIRAT SINGH
A.K. THAKUR
P.K. NANDA
M. TABUCHI
E. SETO
K. OKIHIRO
KENJI IIDA
PANKAJ BAJAJ
R.P. SEHGAL Director - Works
Y. WATANABE Managing Director & CEO

EXECUTIVE DIRECTOR - FINANCE & COMPANY SECRETARY

GOPAL BANSAL

AUDITORS

B S R & COMPANY

LISTING OF SHARES

BOMBAY STOCK EXCHANGE LTD.
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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28TH ANNUAL GENERAL MEETING

on Wednesday, 18th July, 2012
at 1.00 P.M. at Registered Office -
Village Asron,
Distt. Shahid Bhagat Singh Nagar,
(Nawanshahar), Punjab.

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 MCA's circulars bearing no. 17/2011 dated 21st April, 2011 and 18/2011 dated 29th April, 2011, companies can now send documents and other notices to shareholders through electronic mode. Further, SEBI has also recently amended Clause 32 of the listing agreement to promote paperless compliances. Accordingly, we intend to send documents such as notices, Annual Report and other communications 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 34A, 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 Eighth Annual Report together with Audited Accounts for the financial year ended 31st March 2012.

PERFORMANCE REVIEW

As foreseen in last year's Directors report, economic growth of the earlier years was not maintained during the year, both for external reasons and internal factors and manufacturing growth remained sluggish. However, thanks to the continuing road infrastructure development and construction activities, the commercial vehicle industry was able to beat that trend, further helped by increased replacement demand arising from enforcement of regulatory requirements.

Consequently, your Company was able to achieve 6% growth in vehicle numbers, a revenue increase of 14%, crossing the Rs 1,000 crore milestone for the first time and new highs both in operating and net profit.

The financial performance of the Company, for the year ended 31st March, 2012 is summarized below:

(Rs. in Crores)

	2012	2011
Sales Volume (Nos.)	<u>13646</u>	<u>12870</u>
Net Revenue	1,042.22	913.00
Less : Material Cost & Other Expenses	956.19	842.32
Operating Profit	86.03	70.68
Profit Before Tax (before exceptional & prior period item)	64.96	51.38
Exceptional & prior period item	4.88	-
Profit After Tax	41.87	36.56
Balance of Profit from prior years	49.22	29.82
Surplus available for appropriation	91.09	66.38
Transfer to General Reserve	4.19	3.66
Proposed Dividend (including tax)	13.45	13.50
Amount carried to Balance Sheet	73.45	49.22

EXPANSION PROJECT

Further progress has been made with the Project and enhanced output of new products from the new facility has been reasonably satisfactory. Plans are now in place to manufacture new products both on Isuzu and SML platform in the next twelve to eighteen months.

DIVIDEND

Having regard to the improved financial results, the Directors have recommended payment of dividend for Financial Year 2011-12 @ 80% i.e. Rs. 8.00 per share, same as the previous year's - which had included a 15% special dividend.

CHANGE IN SHAREHOLDING STRUCTURE

In April, 2012, Isuzu Motors Limited, Japan acquired from Sumitomo Corporation, Japan 1,591,881 equity shares of Rs 10 each thereby increasing their shareholding to 15% from existing 4%. Consequently, with its shareholding in the Company coming down to 43.96 %, Sumitomo Corporation, Japan has ceased to be the holding company of the company.

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. Company has ensured that there is 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, which is a reflection of the Company's financial discipline and 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, 2012 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 a 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 concluded and eco-friendly activities are promoted.

The Company has installed incinerator plant to safely dispose of hazardous waste. A sewage treatment plant has also been installed to ensure eco-friendly disposal.

CURRENT BUSINESS ENVIRONMENT

Recent economic data on manufacturing and GDP growth is, quite naturally, a cause for concern for the industry and indeed for the country for the year 2012-13. As with other industries and trades, commercial vehicles industry will also suffer much uncertainty. Whilst the Directors feel that the Company must be prepared for a slow down, they are hopeful that the momentum of growth recently witnessed for the Company's products may continue this year. The Company's resources and management thereof are geared to achieve that growth, particularly so with launching plan of new products and performance improvement of existing products.

DIRECTORS

Mr. A.K. Thakur, Mr. M. Tabuchi and Mr. S.K. Tuteja 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 and that there are no 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 that period;

- 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 safeguarding 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 2011-12 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. As such, in the opinion of the Directors, they do not call for a specific reply.

Messers B S R & Company, Chartered Accountants, retires as Auditors of the Company and have given their 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 : May 25, 2012

S.K. TUTEJA
Chairman

Y. WATANABE
Managing Director & CEO

MANAGEMENT DISCUSSION AND ANALYSIS

1. INDUSTRY REVIEW

In fiscal 2011-12, Commercial Vehicle (CV) Industry achieved sales of 9,02,000 vehicles (7,59,000) - representing growth of 19% over the previous year. Out of this, SML Isuzu segment (5.0 ton to 12.0 ton GVW) accounted for 1,27,300 (1,09,000) and represented 14% of aggregate volumes.

2. COMPANY PERFORMANCE

The Company has sold 13,646 vehicles during fiscal 2011-12 against previous year sale of 12,870 vehicles. Together with sale of spare parts, Net Revenue for 2011-12 was Rs. 1042.2 crores (Rs. 913.0 crores), as detailed below:

	(Rs. In Crores)	
	<u>2011-12</u>	<u>2010-11</u>
On sale of Vehicles	968.1	852.6
On sale of Spare Parts etc.	74.1	60.4
Total Net Revenue	<u>1042.2</u>	<u>913.0</u>

Favorable product mix and higher realization per vehicle has more than neutralized the impact of increase in component prices. As a result, material cost as a %age on Net Revenue has come down from previous year's 77.4% to 76.0%.

Employee Cost at Rs. 67.9 crores (Rs. 59.9 crores) represented 6.5% (6.6%) of net revenue.

Marketing costs at Rs. 66.6 crores (Rs. 51.6 crores) works out to 6.4% (5.6%) of net revenue, the %age increase has been primarily on account of provision of Rs. 2.8 crores against amount receivable from a Govt. customer and higher warranty claim expenditure in respect of luxury buses. Other operating & administrative expenses at Rs. 29.9 crores (Rs. 23.9 crores) were at 2.9% (2.6%) of net revenue.

Interest cost (net) for 2011-12 at Rs. 6.5 crores is lower than previous year's Rs. 9.2 crores due to better receivables management & control over borrowings.

Depreciation charge for the year was Rs. 10.4 crores (Rs. 8.9 crores) - increase being on account of capital expenditure incurred during the year on the ongoing expansion project and on R&D centre.

Higher sale volumes, better per vehicle realization & control over costs has led to improvement in the profitability of operations and the Company achieved the highest ever Operating Profit of Rs. 86.0 crores (Rs. 70.7 crores) and Profit Before Tax (before exceptional & prior period item) of Rs. 65.0 crores (Rs. 51.4 crores).

Profit after tax at Rs. 41.9 crores (Rs. 36.6 crores) translates to an earning of Rs. 28.93 per share (Rs. 25.26).

Outgo on dividend account inclusive of tax at Rs. 13.5 crores would translate to a payout ratio of 32.1% (36.9%).

Net worth of the Company as on 31st March, 2012 rose to Rs. 241.2 crores (Rs.212.8 crores) comprising of an equity component of Rs. 14.5 crores (Rs. 14.5 crores) and reserves of Rs. 226.7 crores (Rs. 198.3 crores).

Year-end borrowings from banks were at Rs. 100.0 crores (Rs. 85.0 crores).

Year-end trade receivables were at Rs. 121.0 crores (Rs 116.5 crores) and trade payables were Rs. 163.4 crores (Rs. 138.3 crores).

Fixed assets (net) stood at Rs. 135.0 crores (Rs. 127.5 crores).

3. INTERNAL CONTROL SYSTEM AND ADEQUACY

The Company has conducted 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 unauthorised use/disposition and transactions are recorded and reported with propriety, accuracy and speed. These aspects of operations are regularly reviewed and verified by the Internal Audit department and by the Company's Statutory Auditors. The same are subsequently submitted to the Audit Committee of the Board for consideration.

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. Employee strength as on 31st March, 2012 was 1098 (1073).

5. BUSINESS RISKS AND CONCERNS

Demand for commercial vehicles is dependent upon overall economic growth, infrastructure development and smooth availability of retail finance. India is heavily reliant on imported oil, thus oil prices 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 mega cities and its applicability throughout India is under discussion at Govt. level.

Since steel, steel-based components and other materials represent major part 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 its R&D centre, establishment of new manufacturing facilities for chassis and bus body fabrication with a view to broaden its product portfolio, up-gradation of existing facilities to improve efficiency and quality of the products and cost reduction activities 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.

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:

- Power factor sustained at 0.99.
- 15 Nos transformer based MIG welding sets replaced with inverter based MIG welding sets resulting in substantial power savings.
- Individual switches provided for air circulators on shop floors to save power.
- Re-layout of metal Halide lights in assembly shop to reduce the numbers and power consumption.
- Temperature cut off point optimized in paint shop baking ovens to reduce the power consumption.
- Timers installed at main switch boards for switching off power to all machines at the end of shift.

2. TECHNOLOGICAL DEVELOPMENT

2.1 New, front engine 10.5 meter bus model IS12B designed and prototype developed on ISUZU platform.

2.2 Chassis assembly as well as bus body for new 12 meter rear engine bus with higher capacity of power line designed and prototypes developed on Isuzu platform.

2.3 Expenditure on Research & Development during 2011-12:

	(Rs. in lakhs)
(a) Capital	101.35
(b) Recurring	863.40
(c) Total	964.75
(d) R&D expenditure as a %age of total turnover	0.93%

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 S7 model buses on 5100 mm wheel base on SML platform.
- BS IV compliant engines productionised and adopted in various models on SML platform.
- Productionised IS12 T model cowl chassis on ISUZU platform in vehicle plant.
- Upgraded Super 12 model truck on SML platform and adopted 310 diameter clutch in place of 260 diameter.
- New differential lock rear axle option developed for 4 wheel drive vehicles on SML platform.

3. FOREIGN EXCHANGE EARNING AND OUTGO

	(Rs. in lakhs)
Earnings in foreign currency	5,125.20
Expenditure in foreign currency	2,985.12

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 and places high emphasis on integrity and lifetime loyalty to the Company. SML recognizes that it is rewarding to be a better managed enterprise.

1. BOARD OF DIRECTORS

The composition of the Board is in conformity with Clause 49 of the Listing Agreement, as amended from time to time. The Board has strength of eleven Directors; nine being Non executive Directors, four including the Chairman are independent Directors which is one-third of the total strength of the Board; four Non-executive Directors belonging to the promoter group are professional executives ; one Non-executive Director is a senior executive with Isuzu Motors, Japan and is a professional executive . All the Non-executive Directors are highly qualified, possess vast knowledge and professional expertise in administration, accounts, finance, marketing, 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.

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

None of the Directors of the Company are inter-se related to each other.

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.

Composition of the Board

The names and categories of Directors, the number of Directorships and Committee positions held by them in other companies are hereunder. None of the Directors on the Board is a Member of more than 10 Committees and Chairman of more than 5 Committees (as specified in Clause 49 of the Listing Agreement), across all the companies in which he is a Director.

The details of attendance of the Directors at the Board Meetings during financial year 2011-12 and the last Annual general Meeting held on 6th August, 2011 and also the number of other Directorships and Committee Memberships/Chairmanship as on 31st March, 2012 is as follows:

Name of Director	Category	Financial Year 2011-12		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
Directors							
Mr. S.K.Tuteja (Chairman)	Non Executive Independent	5	5	Yes	13	3	5
Mr. Harkirat Singh	Non Executive Independent	5	5	Yes	Nil	Nil	Nil
Mr. A. K. Thakur	Non Executive Independent	5	5	No	2	Nil	2
Mr. P. K. Nanda	Non Executive Independent	5	5	No	1	Nil	1
Mr. Pankaj Bajaj	Non Executive	5	4	No	Nil	Nil	Nil
Mr. M. Tabuchi	Non Executive	5	3	No	Nil	Nil	Nil
Mr. E. Seto	Non Executive	5	4	No	1	Nil	Nil
Mr. K. Okihira (w.e.f. 10.11.2011)	Non Executive	2	1	No	Nil	Nil	Nil
Mr. R.P.Sehgal Director-Works	Executive	5	5	Yes	Nil	Nil	Nil
Mr. Y. Watanabe (Managing Director & CEO – w.e.f. 01.06.2011)	Executive	5	5	Yes	Nil	Nil	Nil
Mr. Yash Mahajan (Managing Director - ceased w.e.f 01.06.2011)	Executive	1	1	NA	2	Nil	Nil
Mr. H. Yamaguchi (ceased w.e.f. 10.11.2011)	Non Executive	3	2	No	Nil	Nil	Nil
Mr. Steven Enderby (ceased w.e.f. 6.08.2011)	Non Executive	2	2	No	4	1	3
Alternate Directors							
Mr. M. Maruyama (w.e.f. 16.05.2011)	Alternate Director to Mr.M. Tabuchi	5	Nil	No	Nil	Nil	Nil
Mr. T. Nanko (w.e.f. 16.05.2011)	Alternate Director to Mr. E.Seto	5	1	No	1	Nil	Nil
Mr. T.Kato (ceased w.e.f 16.05.2011)	Alternate Director to Mr. M. Tabuchi	Nil	Nil	NA	Nil	Nil	Nil

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

** C : Chairman # M : Member N.A : Not Applicable

2. COMMITTEES OF THE BOARD

(a) Audit Committee

The Audit Committee of the Board comprises of three Non-Executive Independent Directors - Mr. S.K. Tuteja, Chairman, Mr. Harkirat Singh and Mr. A.K. Thakur. 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 Agreements, 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 Auditors & 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 Financial Statement of Accounts.

During the Financial Year under review, 6 meetings of the Audit Committee of the Board were held on 15th May, 2011, 30th June, 2011, 14th July, 2011, 12th August, 2011, 9th November, 2011

and 14th February, 2012. 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 6th August, 2011.

The Audit Committee of the Board also met on 24th May, 2012 prior to the finalization of the Accounts for the Financial Year ended 31st March, 2012.

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	6	6
Mr. Harkirat Singh	6	6
Mr. A.K. Thakur	6	6

(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 three Directors with Mr. Harkirat Singh as Chairman and Mr. S. K. Tuteja and Mr. Y. Watanabe as Member Directors. The quorum of the meeting is two directors.

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

The Company received 8 shareholders' 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 pending share transfers pertaining to the year under review.

During the financial year ended 31st March, 2012, 19 meetings of the committee were held.

(c) Executive Committee

The Executive Committee of the Board comprises of three Directors namely; Mr. S.K.Tuteja, Mr. Y. Watanabe and Mr. R.P.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 Capex plans and its implementation, operational performance of the Company and other management matters including performance of Divisional heads.

During the year three meetings were held on 14th July, 2011, 21st September, 2011 and 12th January, 2012.

(d) Remuneration Committee

This Committee comprised of Mr. S.K.Tuteja, Chairman, Mr. P. K. Nanda and Mr. M. Tabuchi. All the Members of the Remuneration Committee of the Board are Non-Executive Directors.

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 there was no meeting held.

3. 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 entitled to remuneration by way of commission for financial year 2011-12 up to a maximum of Rs. 6,00,000/- individually as approved by the Board of Directors subject to approval of shareholders in annual general meeting. Non-Executive Directors' commission has been determined by the Board based, inter alia, on Company performance and regulatory provisions and is payable on a uniform basis. Non-executive Directors are also entitled to sitting fees for attending meetings of the Board and Committees thereof, the quantum of which is determined by the Board, within the limits approved by the shareholders. The sitting fees, as determined by the Board, are presently Rs. 20,000/- for attending each meeting of the Board, Audit Committee and Shareholder/Investor relations Committee.

Following are the details of Directors remuneration paid during 2011-12:

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)
Mr. Y. Watanabe Managing Director & CEO	48,00,000	48,00,000	5,76,000	17,21,625	NIL	1,18,97,625	Upto 31.05.2016
Mr. R.P. Sehgal Director - Works	48,00,000	40,00,000	5,76,000	17,17,004	NIL	1,10,93,004	Upto 31.05.2013
Mr. Yash Mahajan Managing Director	52,00,000	54,58,000	15,76,800	25,24,331	NIL	1,47,59,131*	Ceased w.e.f. 01.06.2011

*Includes arrears Rs.52,92,000/-

Non-Executive Independent Directors

Name of Director	Sitting Fees (Rs.)	Commission* (Rs.)
Mr. S.K. Tuteja	6,60,000	6,00,000
Mr. Harkirat Singh	5,80,000	6,00,000
Mr. A.K.Thakur	2,20,000	6,00,000
Mr. P.K.Nanda	1,00,000	6,00,000

* Subject to the approval of shareholders in the forthcoming Annual General Meeting.

4. GENERAL BODY MEETINGS

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

Financial Year	Date	Time	Venue	No. of Special Resolutions passed
2008-09	30 th September, 2009	1:00 PM	Registered Office Village Asron, Distt. Shahid Bhagat Singh Nagar (Nawanshahar), Punjab	Nil
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	1:00PM	Registered Office Village Asron, Distt. Shahid Bhagat Singh Nagar (Nawanshahar), Punjab	Nil

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.

5. DISCLOSURES

a) 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 31 of the Notes forming part of the Financial Statements.

b) 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 Notes forming Part of the Financial Statements.

c) Code of Conduct for Directors and Senior Management

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 the members of the Board and senior management personnel have affirmed compliance to the Code of Conduct as on 31st March, 2012 and a declaration to that effect signed by the Managing Director and CEO is attached and forms a part of this report.

d) Risk Management

The Company has laid down procedures to inform Board members about the risk assessment and minimization procedures. These procedures are subject to review to ensure that management controls risks through means of properly defined framework.

e) Application of the proceeds from the Rights Issue.

During the FY 2009-10, Company raised Rs.7,969.89 lakhs through issue of 39,84,946 equity shares of Rs.10/- each at a premium of Rs. 190 per share to the shareholder of the Company on Rights basis. Detail of utilization of net proceeds of the Rights Issue after deducting Rights Issue expenses of Rs. 118.52 lakhs as on 31st March, 2012 is given hereunder:

Utilisation of Rights Issue proceeds as on 31st March, 2012:

(Rupees in lakhs)

Particulars	As per Letter of Offer	As on 31 st March, 2012
Financing the Expansion Project	1800.00	* 838.79
Repayment of Loan taken from Allahabad Bank in relation to the Expansion Project	5000.00	5000.00
General Corporate purposes	1051.37	1051.37

* Pending utilization Rs. 961.21 lakhs, have been placed with a commercial bank as per terms of Letter of Offer dated 24th February, 2010 and shareholder's approval vide a resolution passed in the Annual General Meeting held on 6th August, 2011.

f) 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.

g) Instances 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.

h) 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.

i) 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

Details are given under the heading "Remuneration Committee".

iii) Shareholder Rights

Details are given under the heading "Means of Communication".

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 and changes in the legislation.

vi) Whistle Blower Policy

Company encourages employees and business associates to raise their concerns relating to any unethical business practice at work place with protection against victimisation.

6. 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, 2012, no presentations were made to institutional investors or analysts;
- d) Management Discussion and Analysis Report forms part of the Directors' Report.

7. GENERAL SHAREHOLDERS INFORMATION

Covered under separate section in this Annual Report.

SHAREHOLDERS' INFORMATION

1. **Annual General Meeting**
 Date : 18.07.2012 (Wednesday)
 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 30th June, 2012 : 1st / 2nd week of August, 2012
 Quarter ending 30th Sept., 2012 : 1st / 2nd week of November, 2012
 Quarter ending 31st Dec, 2012 : 1st / 2nd week of February, 2013
 Year ending 31st March, 2013 : May/June, 2013
3. Book Closure : 19th June, 2012 to 28th June, 2012(both days inclusive)
4. Dividend Payment : On or after 18th July, 2012, but with in the Statutory time limit.
5. Listing on Stock Exchanges : Bombay Stock Exchange (BSE) & National Stock Exchange (NSE).
 Listing fee for 2012-13 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	Bombay Stock Exchange (BSE)		National Stock Exchange (NSE)	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
2011				
April	380	325	375	307
May	377	341	377	343
June	385	353	395	332
July	415	352	409	352
August	425	325	395	320
September	420	339	424	334
October	417	369	420	374
November	435	346	436	336
December	435	358	435	362
2012				
January	430	388	430	383
February	450	392	450	381
March	450	388	422	374
April	470	379	471	380
May	430	385	450	331

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 95% 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 2011-12 were 8871 (Previous Year 18509)

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 SCO 204-205, Sector 34-A, Sri Venkatesh Bhawan,
and Change of Address etc. may be Chandigarh- 160 135 F - 65, Okhla Industrial Area,
addressed to Tele: 0172-2647700-10, Phase - I, New Delhi - 110 020
Fax: 0172-2615111 Tele: 011-41404149
Email : admin@mcsdel.com

11. Shareholding Pattern as on 31st May, 2012

Category	No. of Share-holders	Voting Strength %	No. of Shares held
Promoters	1	43.96	6,362,306
Insurance company	1	6.91	1,000,000
Mutual Funds & UTI	12	11.42	1,652,590
Other Bodies Corporate	262	7.90	1,143,099
FII's/NRI's/OCB's	948	16.28	2,355,717
Individuals	9990	13.53	1,957,934
TOTAL	11214	100.00	14,471,646

12. Distribution of Shareholding as on 31st May, 2012

No. of Equity Shares held	No. of Share-holders	No. of Shares	%age of Share-holding
1-500	10705	1,024,988	7.08
501-1000	240	179,495	1.24
1001-2000	135	200,224	1.38
2001-3000	37	90,415	0.62
3001-4000	15	54,195	0.38
4001-5000	21	93,927	0.65
5001-10000	23	162,062	1.12
10001-50000	22	603,689	4.17
50001-100000	8	545,710	3.78
100001 – above	8	11,516,941	79.58
Total	11214	14,471,646	100.00

13. Secretarial Audit

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

A Company Secretary-in-Practice carried out a Reconciliation of Share Capital Audit to reconcile the total admitted capital with NSDL and CDSL and the total issued and listed capital. The audit confirms that the 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 statements and secretarial matters may be addressed to:

Mr. Gopal Bansal

Executive Director - Finance & Company Secretary

SML Isuzu Limited

SCO: 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 31ST MARCH, 2012

(Rs. in lakhs)

	Note No.	2012	2011
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share capital	4	1,447.88	1,447.88
Reserves and surplus	5	22,672.44	19,830.88
Non-current liabilities			
Deferred tax liability (Net)	6	1,012.35	801.04
Other long term liabilities	7	1,542.70	1,591.33
Long-term provisions	8	2,033.25	1,809.34
Current liabilities			
Short-term borrowings	9	10,000.00	8,500.00
Trade payables		16,341.41	13,830.99
Other current liabilities	10	3,991.35	3,980.32
Short-term provisions	11	3,160.00	2,817.62
Total		<u>62,201.38</u>	<u>54,609.40</u>
ASSETS			
Non-current assets			
Fixed assets	12		
Tangible assets		12,574.52	12,557.21
Intangible assets		927.95	192.65
Capital work-in-progress		836.15	243.19
Intangible assets under development		—	535.82
Long-term loans and advances	13	1,265.88	726.31
Current assets			
Inventories	14	22,639.16	21,015.88
Trade receivables	15	12,102.46	11,650.64
Cash and bank balance	16	8,795.90	4,101.54
Short-term loans and advances	17	2,689.27	3,295.73
Other current assets	18	370.09	290.43
Total		<u>62,201.38</u>	<u>54,609.40</u>

This is the Balance Sheet referred to in our report of even date.

The notes, including and referred above, form an integral part of financial statements

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

For B S R & Company
Chartered Accountants
Firm Registration Number : 128032 W

S.K. TUTEJA
Chairman

RAJESH ARORA
Partner
Membership Number : 076124
Place : New Delhi
Date : May 25, 2012

GOPAL BANSAL
Executive Director - Finance
& Company Secretary

YUTAKA WATANABE
Managing Director & CEO

New Delhi, May 25, 2012

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2012 (Rs. in lakhs)

	Note No.	2012	2011
INCOME			
Revenue from operations	19		
Sale of products		112,802.27	99,154.78
Other operating income		756.43	635.39
		113,558.70	99,790.17
Less : Excise duty		9,975.59	8,789.81
		103,583.11	91,000.36
Other income	20	638.65	299.19
Total revenue		104,221.76	91,299.55
EXPENSES			
Cost of materials consumed	21	77,056.19	68,700.22
Purchases of Stock-in-trade		3,809.15	3,370.82
Changes in inventories of finished goods, Work-in-progress and stock-in-trade	22	(1,686.51)	(1,384.35)
Employee benefits expense	23	6,786.48	5,994.40
Finance costs	24	1,062.45	1,038.52
Depreciation and amortization expense	12	1,044.47	891.12
Other expenses	25	9,653.66	7,550.84
Total expenses		97,725.89	86,161.57
Profit before exceptional and prior period item and tax		6,495.87	5,137.98
Exceptional and prior period item	27	488.32	—
Profit before tax		6,007.55	5,137.98
Tax expense:			
Current tax		1,533.60	1,042.00
MAT credit utilisation		386.40	192.00
Tax related to prior years		(310.86)	64.25
Deferred tax			
For prior years		285.35	—
For current year		(74.04)	184.00
Profit for the year		4,187.10	3,655.73
Earnings per share:			
Basic and Diluted earning per share	32	28.93	25.26

This is the statement of Profit and Loss referred to in our report of even date.

The notes, including and referred above, form an integral part of financial statements

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

For B S R & Company
Chartered Accountants
Firm Registration Number : 128032 W

S.K. TUTEJA
Chairman

RAJESH ARORA
Partner
Membership Number : 076124
Place : New Delhi
Date : May 25, 2012

GOPAL BANSAL
Executive Director - Finance
& Company Secretary

YUTAKA WATANABE
Managing Director & CEO

New Delhi, May 25, 2012

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2012

(Rs. in lakhs)

	2012	2011
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit Before Tax Expense	6,007.55	5,137.98
Adjustments For :		
Depreciation	1,044.47	891.12
Foreign exchange fluctuation	(12.74)	(0.51)
Interest expense	1,062.45	1,038.52
Interest income	(409.50)	(121.80)
Assets written off	33.52	0.30
Gain on disposal of fixed assets	(18.67)	(1.49)
Provision for doubtful debts & advances	290.34	106.90
Provision for exceptional item	488.32	-
Liabilities/Provisions no longer required written back	<u>(199.39)</u>	<u>(170.88)</u>
Operating profit before working capital changes	8,286.35	6,880.14
Adjustments for :		
Decrease / (Increase) in trade receivables	(722.98)	1,950.97
Decrease / (Increase) in other current assets	51.91	(50.39)
Decrease / (Increase) in short term loans & advances	(268.26)	(637.42)
Decrease / (Increase) in long term loans & advances	(310.44)	44.29
Decrease / (Increase) in inventories	(1,623.28)	(5,015.87)
(Decrease) / Increase in trade payables	2,703.39	(611.02)
(Decrease) / Increase in other current liabilities	(88.13)	1,015.19
(Decrease) / Increase in long term provisions	131.07	492.29
(Decrease) / Increase in short term provisions	463.13	468.31
(Decrease) / Increase in long term liabilities	<u>232.26</u>	<u>17.40</u>
Cash Generated From Operations	8,855.02	4,553.89
Less: Direct tax paid (net of refunds)	1,406.32	915.68
Net Cash Generated From Operating Activities	<u>7,448.70</u>	<u>3,638.21</u>
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(2,114.43)	(1,087.24)
Proceeds from sale of fixed assets	21.45	4.28
Investment in fixed deposits	(4,768.89)	(1,861.46)
Redemption in fixed deposits	3,900.56	249.72
Investment in margin money	(1.68)	(13.10)
Redemption in margin money	5.86	-
Interest received	238.99	20.02
Net Cash Used In Investing Activities	<u>(2,718.14)</u>	<u>(2,687.78)</u>

(Rs. in lakhs)

	2012		2011	
C. CASH FLOW FROM FINANCING ACTIVITIES				
Unsecured loans taken during the year	17,000.00		56,812.50	
Unsecured loans repaid during the year	15,500.00	1,500.00	<u>56,312.50</u>	500.00
Secured loans taken / (repaid) during the year		-		(463.38)
Dividend paid		(1,145.60)		(577.89)
Dividend tax		(192.29)		(98.38)
Payment of unpaid dividend		(12.13)		(0.96)
Interest paid		(1,062.45)		(1,039.14)
Net Cash Inflow / (Outflow) From Financing Activities		(912.47)		<u>(1,679.75)</u>
Net increase in cash and cash equivalents		3,818.09		(729.32)
Cash and cash equivalents at the beginning of the year (#1)		2,176.36		2,905.68
Cash and cash equivalents at the end of the year (#2)		5,994.45		<u>2,176.36</u>

Notes :

# 1 Cash and bank balances	4,101.54	3,205.05
Less : Unclaimed dividend	117.10	116.13
Less : Margin money	13.10	-
Less : Fixed deposits	1,794.98	183.24
Cash and cash equivalents – Opening balance	2,176.36	<u>2,905.68</u>
# 2 Cash and bank balances	8,795.90	4,101.54
Less : Unclaimed dividend	129.23	117.10
Less : Margin money	8.91	13.10
Less : Fixed deposits	2,663.31	1,794.98
Cash and cash equivalents - Closing balance	5,994.45	<u>2,176.36</u>

Notes :

- The above "Cash flow statement" has been prepared under the Indirect method as set out in the Accounting Standard -3 on Cash flow statements.
- Figures in bracket indicates cash outflows.
- Previous year figures have been regrouped and recasted wherever necessary to conform to the current year classification.

This is the Cash Flow Statement referred to in our report of even date

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

For B S R & Company
Chartered Accountants
Firm Registration Number : 128032 W

S.K. TUTEJA
Chairman

RAJESH ARORA
Partner
Membership Number : 076124
Place : New Delhi
Date : May 25, 2012

GOPAL BANSAL
Executive Director - Finance
& Company Secretary

YUTAKA WATANABE
Managing Director & CEO

New Delhi, May 25, 2012

NOTES FORMING PART OF THE FINANCIAL STATEMENTS**1. Basis of preparation**

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.

2. The financial statements for the year ended March 31, 2011 had been prepared as per the then applicable, pre-revised Schedule VI to the Companies Act, 1956. Consequent to the notification of Revised Schedule VI under the Companies Act, 1956, the financial statements for the year ended 31 March, 2012 are prepared as per Revised Schedule VI. Accordingly, the previous year figures have also been reclassified to conform to this year's classification. Such reclassification of previous year figures does not impact recognition and measurement principles followed for preparation of financial statements.

3. Significant Accounting Policies**i) 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.

ii) Revenue recognition

Sales are recognized on transfer of significant risks and rewards 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 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.

iii) 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 of 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.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

iv) 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:

Office equipments		Rate per annum
Air conditioners	–	25.00%
Computers	–	33.33%
Vehicles		
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.

v) 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.

vi) 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 employee's 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.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

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 leave encashment policy constitute the other long term employee benefits. The liability in respect of leave encashment 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.

vii) 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.

viii) Warranty expenses

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

ix) 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.

x) 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.

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 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.

xi) Government grant

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

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

xii) **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.

xiii) **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.

xiv) **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.

xv) **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.

xvi) **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.

xvii) **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 FORMING PART OF THE FINANCIAL STATEMENTS
NOTE 4

(Rs. in lakhs)

	2012	2011
SHARE CAPITAL		
Authorised		
40,000,000 Equity Shares (Previous year 40,000,000) of Rs. 10/- each	<u>4,000.00</u>	<u>4,000.00</u>
Issued, subscribed & paid up		
14,471,646 * equity shares (previous year 14,471,646) of Rs. 10/- each fully paid up	1,447.17	1,447.17
Forfeited shares [13,300 (previous year 13,300) equity shares of Rs.10 each]	0.71	0.71
Total	<u>1,447.88</u>	<u>1,447.88</u>

* 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.

Particulars	As at 31 March 2012		As at 31 March 2011	
	No. of shares	Rs. in Lakhs	No. of shares	Rs. in Lakhs
a. Reconciliation of the shares outstanding at beginning and at the end of the year				
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				
Sumitomo Corporation, Japan (Holding and ultimate holding Company)	7,954,187	795.42	7,954,187	795.42
c. Details of shareholders holding more than 5% share in company*				
Name of Shareholder	As at 31 March 2012		As at 31 March 2011	
	No. of shares	% of Holding	No. of shares	% of Holding
Sumitomo Corporation, Japan (Holding and ultimate holding Company)	7,954,187	54.96%	7,954,187	54.96%
CDC Financial Services (Mauritius) Ltd	972,983	6.72%	972,983	6.72%
Actis Agribusiness Ltd.	811,258	5.61%	811,258	5.61%
Reliance Capital Trustee Company Ltd.	1,308,595	9.04%	1,296,045	8.96%
	<u>11,047,023</u>	<u>76.33%</u>	<u>11,034,473</u>	<u>76.25%</u>

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

- d. The company has only one class of equity shares having par value of Rs. 10 per share. Each shareholder is entitled to one vote per share with a right to receive per share dividend declared by the company. In the event of liquidation, the equity shareholders are entitled to receive remaining assets of the company (after distribution of all preferential amounts, if any) in the proportion of equity shares held by the shareholders.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
NOTE 5

(Rs. in lakhs)

	2012		2011
RESERVES AND SURPLUS			
Capital reserves			
Balance at the beginning and year end	15.00		15.00
Securities premium reserve			
Balance at the beginning and year end	7,452.88		7,452.88
Other reserves			
General reserve			
Opening balance	7,440.63	7,075.06	
Add : Amount transferred from surplus	418.71	365.57	
Closing balance	7,859.34		7,440.63
Surplus			
Balance at the beginning of the year	4,922.37	2,982.23	
Add: Profit for the year	4,187.10	3,655.73	
Less: Proposed dividend *	1,157.73	1,157.73	
Less: Dividend tax and surcharge	187.81	192.29	
Less: Transfer to General Reserve	418.71	365.57	
Balance at the end of the year	7,345.22		4,922.37
Total	22,672.44		19,830.88

* 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)

	2012		2011
DEFERRED TAX LIABILITY (NET)			
(A) Deferred tax liabilities			
(i) Tax impact of difference between carrying amount of fixed assets in the financial statements and income tax returns	1,906.68	1,450.11	
(ii) R&D related capital work in progress allowed under Sec 35(2AB) of the Income tax Act, 1961	10.45	96.37	
Gross deferred tax liabilities	1,917.13	1,546.48	
(B) Deferred tax assets			
(i) Provision for doubtful debts / advances	276.83	186.07	
(ii) Provision for leave encashment	307.97	265.13	
(iii) Provision for gratuity	294.17	273.33	
(iv) Provision for bonus	25.81	20.91	
Gross deferred tax assets	904.78	745.44	
Total	1,012.35		801.04

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
NOTE 7

(Rs. in lakhs)

	2012	2011
OTHER LONG TERM LIABILITIES		
Others:		
Security deposits from dealers	678.19	570.68
Dealer development delinquency pool	575.82	451.06
Capital creditors	288.69	569.59
Total	<u>1,542.70</u>	<u>1,591.33</u>

NOTE 8

(Rs. in lakhs)

	2012	2011
LONG TERM PROVISIONS		
Provision for employees benefits:		
Gratuity	733.35	753.76
Leave encashment	<u>512.44</u>	<u>441.56</u>
	1,245.79	1,195.32
Other long term provisions :		
Warranty	384.29	328.89
Service charges	74.58	49.38
Income tax [net of Advance tax Rs. 4,557.65 lakhs (Previous year Rs. 4,059.71 lakhs)]	328.59	235.75
Total	<u>2,033.25</u>	<u>1,809.34</u>

NOTE 9

(Rs. in lakhs)

	2012	2011
SHORT TERM BORROWINGS - (UNSECURED)		
Loans repayable on demand from bank	10,000.00	8,500.00
Total	<u>10,000.00</u>	<u>8,500.00</u>

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 10

(Rs. in lakhs)

	2012	2011
OTHER CURRENT LIABILITIES		
Unpaid dividends	129.23	117.10
Other payables		
Advance from customers	876.18	978.33
Statutory liabilities	1,955.07	1,706.45
Payable to employees	421.79	656.39
Capital Creditors	609.08	522.05
Total	<u>3,991.35</u>	<u>3,980.32</u>

NOTE 11

(Rs. in lakhs)

	2012	2011
SHORT TERM PROVISIONS		
Provision for employees benefits:		
Gratuity	173.31	88.69
Leave encashment	436.78	375.62
Superannuation	<u>18.60</u>	<u>5.40</u>
Other provisions :		
Warranty	826.18	638.17
Service charges	359.59	243.45
Income tax [net of Advance tax Rs.Nil (Previous year Rs.1,181.98 lakhs)]	-	116.27
Proposed dividend	1,157.73	1,157.73
Dividend tax and surcharge	187.81	192.29
Total	<u>3,160.00</u>	<u>2,817.62</u>

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
NOTE 12

FIXED ASSETS (Rs. in lakhs)

Description	GROSS BLOCK				DEPRECIATION/AMORTISATION				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									
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
Total	17,704.52	1,045.68	157.25	18,592.95	5,147.31	992.08	120.96	6,018.43	12,574.52

(Rs. in lakhs)

Description	GROSS BLOCK				DEPRECIATION/AMORTISATION				NET BLOCK
	As at 01.04.2010	Additions during the year	Sale/ Adj.	As at 31.03.2011	As at 01.04.2010	For the year	Sale/ Adj.	As at 31.03.2011	As at 31.03.2011
Tangible Assets									
Freehold Land	48.74	-	-	48.74	-	-	-	-	48.74
Buildings	6,131.34	267.26	-	6,398.60	815.08	206.39	-	1,021.47	5,377.13
Plant & Equipments	8,419.36	1,207.90	47.25	9,580.01	2,718.70	474.96	47.01	3,146.65	6,433.36
Furniture & Fixtures	149.33	23.95	0.15	173.13	90.05	11.25	0.09	101.21	71.92
Office Equipment	128.84	33.32	0.09	162.07	85.04	9.57	-	94.61	67.46
Vehicles	779.60	142.81	4.15	918.26	364.72	92.97	1.45	456.24	462.02
Others									
Computers	366.08	58.64	1.01	423.71	263.10	65.04	1.01	327.13	96.58
Total	16,023.29	1,733.88	52.65	17,704.52	4,336.69	860.18	49.56	5,147.31	12,557.21

(Rs. in lakhs)

Description	GROSS BLOCK				DEPRECIATION/AMORTISATION				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									
Technical know-how	273.13	787.69	-	1,060.82	80.48	52.39	-	132.87	927.95
Total	273.13	787.69	-	1,060.82	80.48	52.39	-	132.87	927.95

(Rs. in lakhs)

Description	GROSS BLOCK				DEPRECIATION/AMORTISATION				NET BLOCK
	As at 01.04.2010	Additions during the year	Sale/ Adj.	As at 31.03.2011	As at 01.04.2010	For the year	Sale/ Adj.	As at 31.03.2011	As at 31.03.2011
Intangible Assets									
Technical know-how	273.13	-	-	273.13	49.54	30.94	-	80.48	192.65
Total	273.13	-	-	273.13	49.54	30.94	-	80.48	192.65

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
NOTE 13

(Rs. in lakhs)

	2012		2011
LONG TERM LOANS & ADVANCES			
(Unsecured considered good unless stated otherwise)			
Capital advances	36.45		6.41
Security deposits			
– Considered good	221.52	207.63	
– Considered doubtful	–	0.36	
Less: Provision for doubtful deposits	–	0.36	207.63
Loans to employees	121.73		17.48
Others			
Amount paid under protest to authorities			
– Income tax	284.02		84.02
– Sales tax	122.53		130.22
– Excise duty	2.12		2.13
Advance tax [net of provision for tax Rs. 4,225.22 lakhs (Previous year Rs. 3,341.40 lakhs)]	477.51		278.42
Total	1,265.88		726.31

NOTE 14

(Rs. in lakhs)

	2012		2011
INVENTORIES [Refer to note 3(v)]			
Raw materials	10,950.47		11,653.64
[Includes goods in transit Rs. 1,023.22 lakhs (previous year Rs. 569.97 lakhs)]			
Work-in-progress	786.86		793.94
Finished goods (Vehicles)	9,219.30		7,525.34
Stock-in-trade (Spare parts)	1,539.81		932.04
[Includes goods in transit Rs. 49.44 lakhs (previous year Rs. Nil)]			
Stores and spares	113.77		79.75
[Includes goods in transit Rs. 46.17 lakhs (previous year Rs. 0.43 lakhs)]			
Loose tools	28.95		31.17
[Includes goods in transit Rs. 1.19 lakhs (previous year Rs. Nil)]			
Total	22,639.16		21,015.88

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 15

(Rs. in lakhs)

	2012		2011	
TRADE RECEIVABLES				
(Unsecured considered good unless stated otherwise)				
Trade receivables outstanding for a period exceeding six months from the date these are due for payment				
Considered good		687.93		1,280.73
Considered doubtful	846.30		566.17	
Less: Provision for doubtful debts	<u>846.30</u>	–	<u>566.17</u>	–
Others				
Considered good		11,414.53		10,369.91
Total		<u>12,102.46</u>		<u>11,650.64</u>

NOTE 16

(Rs. in lakhs)

	2012		2011	
CASH AND BANK BALANCES				
Cash and cash equivalents				
Cash in hand	13.22		12.88	
Fixed deposits (Original maturity with 3 months or less)	3,461.00		6.04	
Current accounts	<u>2,520.23</u>	5,994.45	<u>2,157.44</u>	2,176.36
Other bank balances				
Unpaid dividend accounts	129.23		117.10	
Margin money	8.91		13.10	
Fixed deposits	<u>2,663.31</u>	<u>2,801.45</u>	<u>1,794.98</u>	<u>1,925.18</u>
Total		<u>8,795.90</u>		<u>4,101.54</u>

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
NOTE 17

(Rs. in lakhs)

	2012	2011
SHORT-TERM LOANS & ADVANCES		
(Unsecured considered good unless otherwise stated)		
Others :		
Cenvat credit receivable		
Considered good	311.13	770.12
Considered doubtful	488.32	—
Less: Provision for doubtful advances	<u>488.32</u>	<u>—</u>
VAT/Sales tax credit receivable	2,108.25	1,939.38
Advances to suppliers	80.29	111.82
Loans and advances to employees	73.44	27.46
MAT credit entitlement	—	386.40
Prepaid expenses and other advances	116.16	60.55
Total	<u>2,689.27</u>	<u>3,295.73</u>

NOTE 18

(Rs. in lakhs)

	2012	2011
OTHER CURRENT ASSETS		
(Unsecured considered good unless stated otherwise)		
Interest accrued but not due on fixed deposits	220.40	88.82
Export incentives receivables		
Considered good	149.69	201.61
Considered doubtful	6.95	6.95
Less: Provision for doubtful debts	<u>6.95</u>	<u>6.95</u>
Total	<u>370.09</u>	<u>290.43</u>

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 19

(Rs. in lakhs)

	2012		2011	
REVENUE FROM OPERATIONS				
Sale of products				
– Vehicles	105,978.67		93,361.99	
– Spare parts	<u>6,823.60</u>	112,802.27	<u>5,792.79</u>	99,154.78
Other operating income				
– Sale of Scrap	393.36		325.58	
– Export Incentives	263.33		235.50	
– Royalty	<u>99.74</u>	756.43	<u>74.31</u>	635.39
Total		<u>113,558.70</u>		<u>99,790.17</u>

NOTE 20

(Rs. in lakhs)

	2012		2011	
OTHER INCOME				
Interest on fixed deposits		409.50		121.80
Profit on sale of fixed assets		18.67		1.49
Liabilities/provisions no longer required written back		199.39		170.88
Other non operating income		11.09		5.02
Total		<u>638.65</u>		<u>299.19</u>

NOTE 21

(Rs. in lakhs)

	2012		2011	
COST OF MATERIALS CONSUMED *				
	%		%	
Imported	3.57	2,752.90	3.72	2,552.47
Local	96.43	74,303.29	96.28	66,147.75
Total	<u>100.00</u>	<u>77,056.19</u>	<u>100.00</u>	<u>68,700.22</u>

* Includes bus body cost of Rs. 11,598.83 lakhs (previous year Rs. 12,305.02 lakhs)

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
NOTE 22

(Rs. in lakhs)

	2012	2011
CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK IN TRADE		
Opening stock		
– Finished goods (Vehicles)	7,525.34	6,700.61
– Stock-in-trade (Spare parts)	932.05	527.77
– Work-in-progress	793.93	545.93
	<u>9,251.32</u>	<u>7,774.31</u>
Less : Closing stock		
– Finished goods (Vehicles)	9,219.30	7,525.34
– Stock-in-trade (Spare parts)	1,539.81	932.04
– Work-in-progress	786.86	793.94
	<u>11,545.97</u>	<u>9,251.32</u>
	(2,294.65)	(1,477.01)
Add : Increase in excise duty on finished goods	608.14	92.66
Total	<u>(1,686.51)</u>	<u>(1,384.35)</u>

NOTE 23

(Rs. in lakhs)

	2012	2011
EMPLOYEE BENEFITS EXPENSE		
Salaries and wages	5,512.51	4,916.82
Contributions to provident and other funds	781.51	728.76
Workmen and staff welfare expenses	492.46	348.82
Total	<u>6,786.48</u>	<u>5,994.40</u>

NOTE 24

(Rs. in lakhs)

	2012	2011
FINANCE COSTS		
Interest	980.31	933.94
Other borrowing costs	82.14	104.58
Total	<u>1,062.45</u>	<u>1,038.52</u>

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
NOTE 25

(Rs. in lakhs)

	2012		2011
OTHER EXPENSES			
Consumption of stores and spares and loose tools*	194.87		151.13
Repairs and Maintenance:			
– Machinery	49.65		22.21
– Buildings	54.01		32.54
– Others	174.27		142.25
Power and fuel	685.51		594.10
Rent	203.49		162.35
Rates and taxes (excluding taxes on income)	110.63		56.48
Legal and professional	144.12		63.53
Auditors' remuneration:			
– Statutory Audit	27.50	32.50	
– Tax Audit	1.50	6.00	
– Other Services	3.00	1.50	
– Reimbursement of expenses	1.33	0.98	40.98
Insurance	60.07		46.67
Printing, stationery, postage and telephone	121.26		112.61
Travelling and conveyance	658.00		642.67
Provision for doubtful debts	290.34		106.90
Packing and freight outward	3,549.44		2,882.42
Warranty	1,320.15		784.19
Marketing, sales and promotion expenses	1,487.20		1,368.13
Royalty	17.29		15.70
Testing and other laboratory expenses	174.77		120.66
Exchange loss on foreign currency	14.46		20.20
Fixed assets written off	33.52		0.30
Miscellaneous expenses	277.28		184.82
Total	<u>9,653.66</u>		<u>7,550.84</u>

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

(Rs. in lakhs)

	%		%	
Imported	8.53	16.62	9.47	14.31
Local	91.47	178.25	90.53	136.82
Total	<u>100.00</u>	<u>194.87</u>	<u>100.00</u>	<u>151.13</u>

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

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

Particulars	2011-12	2010-11
	(Rs. in lakhs)	(Rs. in lakhs)
Sales tax matters	269.66	261.71
Excise and service tax matters	517.88	116.40
Income tax matters	916.67	402.98
Civil matters	213.21	212.47
Total	1,917.42	993.56

27. Through issue of excise notification no 11/95 dated March 16, 1995 Government 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 has decided to provide the entire amount of Rs 488 lakhs during the year. In view of the significance of the amount involved, the same has been shown as an exceptional item and disclosed as a prior period adjustment.

28. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) Rs. 586.64 lakhs (previous year Rs. 417.22 lakhs).

29. 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 2011	Accrued during the year	Amount utilised during the year	Balance as on 31 March 2012
Provision for warranty*	967.06 (567.23)	1,320.15 (784.19)	1,076.74 (384.36)	1,210.47 (967.06)

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.

30. 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 FORMING PART OF THE FINANCIAL STATEMENTS

31. 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. Holding company and ultimate holding company: Sumitomo Corporation, Japan
- ii. Key management personnel:
 - Mr. Yash Mahajan – Managing Director (up to 31 May 2011)
 - Mr. Y. Watanabe – Whole-time Director (up to 31 May 2011)
 - Mr. Y. Watanabe – Managing Director & CEO (w.e.f. 01 June 2011)
 - Mr. R.P Sehgal – Whole-time Director (w.e.f. 01 June 2010)
- iii. Transactions with Sumitomo Corporation, Japan:

	<u>2011-2012</u>	<u>2010-2011</u>
	<u>Rs. in lakhs</u>	<u>Rs. in lakhs</u>
a. Purchase of components/spares	1,017.56	3,888.64
b. Purchase of fixed assets	–	15.08
c. Discounting charges	1.07	13.85
d. Dividend paid	636.33	318.17
e. Balance outstanding at the year end - Payable	292.62	1,449.61
iv. Payments to Key Management Personnel:		
a. Remuneration* :		
Mr. Yash Mahajan (up to 31 May 2011)	51.98	206.41
Mr. Y. Watanabe	118.98	104.78
Mr. R.P. Sehgal (w.e.f. 01 June 2010)	118.93	97.09
b. Director's remuneration payable at the year end	107.89	188.55

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

32. Earning Per Share (EPS):

	<u>2011-2012</u>	<u>2010-2011</u>
Profit attributable to equity shareholders (Rs. in lakhs)	4,187.10	3,655.73
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.)	28.93	25.26
Face Value per share (Rs.)	10.00	10.00

33. C.I.F. value of imports:

	<u>2011-2012</u>	<u>2010-2011</u>
	<u>Rs. in lakhs</u>	<u>Rs. in lakhs</u>
Raw materials & components	1,333.87	4,073.39
Spares & stores (Including capital spares)	390.89	323.40
Capital goods	117.94	59.99
	1,842.70	4,456.78

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

34. Earnings in foreign currency:

	<u>2011-2012</u>	<u>2010-2011</u>
	Rs. in lakhs	Rs. in lakhs
Exports of vehicles at FOB value	5,028.32	3,081.75
Export of spare parts	96.88	81.81
	<u>5,125.20</u>	<u>3,163.56</u>

35. Expense in foreign currency:

	<u>2011-2012</u>	<u>2010-2011</u>
	Rs. In lakhs	Rs. In lakhs
Travelling and conveyance	9.05	22.53
Discounting charges	1.07	13.85
Royalty	17.29	15.70
	<u>27.41</u>	<u>52.08</u>

36. 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.

37. 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.

38. The Company has taken certain premises under operating lease arrangements. The total lease rental recognized as expense aggregate to Rs. 203.49 lakhs (previous year Rs.162.35 lakhs).

Future minimum lease payments under non-cancellable operating leases:

	<u>2011-2012</u>	<u>2010-2011</u>
	Rs. In lakhs	Rs. In lakhs
Not later than one year	47.35	51.94
Later than one year and not later than five years	94.31	63.28

39. Disclosures as per AS - 15 (Revised) 'Employee Benefits' for year ended March 31, 2012:

I Defined Contribution Plans

Provident Fund and Superannuation

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

	<u>2011-2012</u>	<u>2010-2011</u>
	Rs. In lakhs	Rs. In lakhs
Employers contribution to Provident Fund	399.19	333.84
Superannuation*	103.23	58.90

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

II State Plans

Employees State Insurance Scheme

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

	<u>2011-2012</u>	<u>2010-2011</u>
	Rs. In lakhs	Rs. In lakhs
Employees State Insurance Scheme*	14.76	15.75

*Included in Contribution to Provident and Other Funds in Note 23

III Defined Benefit Plans

Contribution to Gratuity fund - Life Insurance Corporation of India

Actuarial Assumptions	<u>2011-2012</u>	<u>2010-2011</u>
Mortality table	LIC	LIC
	1994-96 Ultimate	1994-96 Ultimate
Attrition rate	5.00% p.a	5.00% p.a
Imputed rate of interest	8.75% p.a	8.50% p.a
Salary rise	6.00% p.a	6.00% p.a
Return on plan assets	9.30% p.a	9.25% p.a
Remaining working life	19.58 years	19.25 years

(Rs. In lakhs)

Expenses recognized in the Statement of Profit and Loss *

Current service cost	96.97	80.00
Interest cost	94.83	68.40
Expected return on plan assets	(31.74)	(22.86)
Net actuarial loss / (gain) recognized	104.27	194.91
Total expenses recognized in the Statement of Profit & Loss	<u>264.33</u>	<u>320.45</u>

* Included in contribution to provident and other funds in Note 23.

Change in the present value of obligation

Defined benefit obligation as at beginning of year	1,127.60	825.48
Service cost	96.97	80.00
Interest cost	94.83	68.40
Actuarial loss/(gain)	106.40	195.22
Benefits paid	(87.72)	(41.50)
Defined benefit obligation as at end of year	<u>1,338.08</u>	<u>1,127.60</u>

Gratuity (Funded)

	<u>2011-12</u>	<u>2010-11</u>
Change in fair value of plan assets		
Fair value of plan assets as at beginning of the year	285.15	232.36
Expected return on plan assets	31.75	22.86
Contributions by employer	200.12	71.12
Actuarial (loss)/gain	2.12	0.31
Benefits paid	(87.72)	(41.50)
Fair value of plan assets as at end of the year	<u>431.42</u>	<u>285.15</u>

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

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>
Present value of defined benefit obligation as at end of year	677.36	825.48	1,127.60	1,338.08
Fair value of Plan Assets as at end of year funded status	212.46	232.18	285.15	431.42
Experience adjustment	85.81	80.25	195.22	127.26
Present value of unfunded obligation as at end of year	464.90	593.30	842.45	906.66

The major categories of plan assets as a percentage of total plan assets as at March 31, 2012 are as follows:

Government of India Securities	Nil
Insurer Managed Funds	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. 97.48 lakhs to the Gratuity Fund during Financial Year 2012-13.

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 leave encashment and performance incentives.

40. Research and development costs :

	<u>2011-2012</u> Rs. In lakhs	<u>2010-2011</u> Rs. In lakhs
a. Revenue expenditure		
Salaries and wages	451.61	281.07
Contribution to provident and other funds	30.63	14.91
Cost of materials consumed	133.65	78.41
Testing expenses	102.58	97.07
Travelling and conveyance	35.08	37.11
Membership & subscription	10.41	10.08
Software	11.44	7.28
Telephone, insurance, AMC, magazines, freight and others	88.00	38.76
Total	<u>863.40</u>	<u>564.69</u>
b. Capital expenditure		
– Capitalised	76.66	86.54
– Work-in-progress	24.69	58.69

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

- a) Number of Non-resident shareholders: 1 (Previous year 1)
- b) Number of shares held as on record date: 5,78,866 (Previous year 5,78,866)
- c) Amount remitted during the year: Rs. 46,30,928 (Previous year Rs. 23,15,464)
- d) Financial Year to which dividend pertains : 2010-11 (Previous year 2009-10)

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

42. 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. 838.79 lakhs have been utilized till 31 March 2012 as per terms of the Letter of Offer and subsequent shareholder's approval. The balance amount of Rs. 961.21 lakhs has been placed with a commercial bank as per terms of the Letter of Offer (included in "Cash and Bank balances" under Note 16).
43. 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.
44. **Particulars of the foreign currency exposures that are not hedged by a derivative instrument or otherwise:**

Particulars	Currency Denomination	As at 31 March 2012		As at 31 March 2011	
		Foreign Currency Amount in lakhs	Amount in Rupees in lakhs	Foreign Currency Amount in lakhs	Amount in Rupees in lakhs
Current Liabilities	Japanese Yen	464.38	292.62	2,648.90	1,449.61
Current Liabilities	Euro	–	–	0.01	0.80
Debtors	USD	8.75	446.08	5.70	254.16

45. 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 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.

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

For B S R & Company
Chartered Accountants
Firm Registration Number : 128032 W

RAJESH ARORA
Partner
Membership Number : 076124
Place : New Delhi
Date : May 25, 2012

GOPAL BANSAL
Executive Director - Finance
& Company Secretary

S.K. TUTEJA
Chairman

YUTAKA WATANABE
Managing Director & CEO

New Delhi, May 25, 2012

AUDITORS' REPORT TO THE MEMBERS OF SML ISUZU LIMITED (FORMERLY SWARAJ MAZDA LIMITED)

- a) We have audited the attached Balance Sheet of SML Isuzu Limited ("the Company") as at 31 March 2012, the Statement of Profit and Loss and the Cash Flow Statement of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- b) We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.
- c) 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 Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- d) Further to our comments in the Annexure referred to above, we report that:
- (i) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (ii) 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;
 - (iii) the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (iv) in our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub section (3C) of Section 211 of the Companies Act, 1956;
 - (v) on the basis of written representations received from the Directors of the Company as on 31 March 2012 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2012 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
 - (vi) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) in the case of the Balance Sheet, of the state of the affairs of the Company as at 31 March 2012;
 - ii) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
 - iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

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

Rajesh Arora
Partner
Membership No.: 076124

Place: New Delhi
Date : 25 May 2012

ANNEXURE TO AUDITORS' REPORT

(Referred to in our report of even date)

1. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of its fixed assets.
(b) As explained to us, the Company has a 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 assets disposed off during the year were not substantial, and therefore, do not affect the going concern assumption.
2. (a) Inventories, except goods-in transit and stock lying with third parties, have 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) In our opinion, the procedures of 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) In our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
3. 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.
4. 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.
5. 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.
6. The Company has not accepted any deposits from the public.
7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
8. 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.
9. (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 2012 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	Demand raised due to discrepancy in documents	11.78	5.50	2001-02	Deputy Commissioner (Appeals), Gujarat
U P Vat Act, 2008	Vehicles impounded & demand raised due to discrepancy in / inadequacy of documents.	12.09	12.09	2009-10	Additional Commissioner (Appeals), Lucknow
U P Trade Tax Act, 1948	Demand raised due to sales tax rate difference.	15.94	7.20	1993-94	Additional Commissioner (Appeals), Lucknow
Gujarat Sales Tax Act	Demand raised due to Non Submission of Form-F for vehicle stock transferred from Pune to Ahmedabad during FY 2007-08.	6.12	6.12	2010-11	Deputy Commissioner of Commercial Tax Range-I, Ahmedabad
Karnataka Sale Tax Act (Hubli)	Demand raised due to objection E-sugam form is valid for 10 days.	3.93	3.93	2011-12	Commercial Tax Officer, Hubli
	Sub Total	269.66	122.53		
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 of 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 of 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 amounting to 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 (inclusive of 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 (inclusive of 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
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 of 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 of 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	3.98 (includes penalty of Rs 1.99 lakhs)	Nil	January -2009 to October-2009	Custom Excise and Service Tax Appellate Tribunal (CESTAT)

	employees where cost of food borne by the Company and part of the same recovered from employees.				
Finance Act, 1994	Demand raised for Service Tax Credit taken on Insurance cover of employees	1.88 (includes penalty of 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 of 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 of Rs. 1.59 lakhs)	Nil	March -2008 to August' 2008	Commissioner (Appeals)
Central Excise Act, 1944	Imposition of penalty in relation to Classification dispute of Ambulances fabricated & cleared from M/s. Sita Singh	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 of 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)
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)
	Sub Total	517.88	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	Nil	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	200.00	2007-08	Commissioner of Income Tax (Appeals)
	Sub Total	1,117.91	284.02		

10. The Company does not have any accumulated losses and has not incurred cash losses in the current year and immediately preceding financial year.
11. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to banks. In our opinion and according to the information and explanations given to us, the Company did not have any outstanding dues to any financial institution or debenture holders during the year.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. 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.
14. According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
15. 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.
16. According to the information and explanations given to us, the Company did not have term loans outstanding during the year.
17. 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 funds raised on short-term basis have not been used for long-term investment.
18. As stated above, there are no companies/firms/parties covered in the register required to be maintained under Section 301 of the Companies Act, 1956.
19. The Company has not issued any debentures during the year.
20. 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 42. We have verified such end use.
21. According to the information and explanations given to us, no 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: New Delhi
Date : 25 May 2012

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Twenty eighth Annual General Meeting of the Company will be held at its Registered Office at Village Asron, Distt. Shahid Bhagat Singh Nagar (Nawanshahar), Punjab on 18th July, 2012 (Wednesday) 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, 2012 and Statement of Profit and Loss for the year ended 31st March, 2012 together with the Directors' Report and Auditors' Report thereon.
2. To declare dividend.
3. To appoint a Director in place of Mr. A. K. Thakur who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. M. Tabuchi who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. S. K . Tuteja 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. K. Okihiro, 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.

8. As an Ordinary Resolution:

RESOLVED THAT Mr. Kenji Iida, 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.

9. As a Special Resolution:

RESOLVED THAT, pursuant to the provisions of Section 309(4) and other applicable provisions, if any, of the Companies Act, 1956, consent of the Company be and is hereby granted for the payment of commission of Rs. 6.0 lakhs each to four Independent Directors of the Company namely - Mr. S. K. Tuteja, Mr. Harkirat Singh, Mr. P.K. Nanda and Mr. A. K. Thakur for the Financial Year

2011-12 aggregating to Rs. 24.0 lakhs which is within the limits stipulated under Section 309(4) of the said Act.

RESOLVED FURTHER THAT, pursuant to the provisions of Section 309(4) and other applicable provisions, if any, of the Companies Act, 1956 and subject to such other approvals as may be necessary, Non-Executive Independent Directors of the Company may be paid Directors Commission, annually for each of the four Financial Years commencing from Financial Year 2012-13, not exceeding one percent of the net profits of the Company as provided under Section 309(4) of the Companies Act, 1956 or any amendment or modification thereof and computed in the manner referred to in Section 198 of the Companies Act, 1956 or any amendment or modification thereof, to be divided amongst the Directors aforesaid in such amounts or proportions and in such manner as the Board of Directors of the Company may from time to time determine and further that the payment of the sum in the above manner shall be in addition to the sitting fee payable to such Directors for each meeting of the Board and/or Committee(s) of the Board attended by them.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to take such steps and to do such acts, deeds, matters and things as they may deem proper and as may be necessary to give effect to the above resolution.

By Order of the Board

Regd. Office:
Village Asron
Distt. Shahid Bhagat Singh Nagar (Nawanshahar), Punjab
Dated: May 25, 2012

(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 19.06.2012 to 28.06.2012 (both days inclusive).
4. Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to address their question 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 18th July, 2012 but

within the Statutory time limit, to those Members whose names appear in the Register of Members as on 28th June, 2012. 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 2003-04, 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 IEPF 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 are requested to notify any change in their address, mandates etc., holding shares in dematerialized form 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, type of account and account number latest by 6th July, 2012 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. A. K. Thakur is an independent Director on our Board. He holds a degree in commerce from Calcutta University and is a qualified Chartered Accountant. He joined Unit Trust of India in 1978 and retired as an Executive Director after 23 Years of service. Mr. Thakur has over 42 Years of experience in areas such as Accounts, Finance, Investment and Corporate Affairs and is currently a Practicing Chartered Accountant. He joined our Board on 31st January, 2006.

Mr. Thakur is also on the Board of Pearless Securities Ltd., Rama Industries Ltd., Midas Asset Reconstruction (P) Ltd. and Sahara Asset Management Co. (P) Ltd.

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

Name of the Company	Name of Committee
SML Isuzu Ltd.	Audit Committee
Pearless Securities Ltd.	Audit Committee
Rama Industries Ltd.	Audit Committee
Midas Asset Reconstruction (P) Ltd.	Audit Committee
Sahara Asset Management Co. (P) Ltd.	Audit Committee

Mr. A. K. Thakur does not hold any shares in the Company.

- b) Mr. M Tabuchi was co-opted on 28th May, 2009 as a Non Executive Director on our Board. He holds a graduate degree in Economics from Kyoto University, Japan. Mr. Tabuchi joined Sumitomo Corporation in 1980 and over the years has worked in many departments such as railway products, forgings and castings, transportation equipments and ships, aerospace and transportation systems. He currently holds the post of General Manager, Automotive Division 1 of Sumitomo Corporation in Tokyo, Japan. Mr. Tabuchi has over 30 years of experience in the Automobile and manufacturing industry.

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

- c) Mr. S. K. Tuteja holds a Master's degree in Commerce from Delhi University. He joined the Indian Administrative Services (IAS) in 1968 and retired from the IAS in 2005 as Secretary, Food and Public Distribution, Government of India. Mr. Tuteja's service career with the Government in Punjab and at the Centre covered key assignments in various Government Departments. He was the Chairman of the Punjab State Electricity Board from July 1997 to December 1998, the Chairman of the Central Warehousing Corporation from July 2005 to January 2008 and the Chairman of the Pay Commission of the Government of Punjab from November, 2006 to April 2009. Mr. Tuteja has over 42 years of experience in diverse fields which include district administration, education, industry, trade, commerce, finance and corporate matters. He joined our Board on 20th June , 1998 and was appointed as a Non-Executive Independent Chairman of the Company on 29th June, 2005.

In addition to SML Isuzu Ltd., Mr. Tuteja is also the Chairman of A2Z Maintenance & Engineering Services Ltd., Adani Logistics Ltd., Daawat Foods Ltd., Co-Chairman in Trident Corporation Ltd. and Director in Shree Renuka Sugars Ltd., Precision Pipes and Profiles Company Ltd., SVIL Mines Ltd., Axis Private Equity Ltd., Havells India Ltd., Intas Pharmaceuticals Ltd., Shree Renuka Energy Ltd., Adani Enterprises Ltd. and Small Industries Development Bank of India.

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

Name of the Company	Name of Committee
SML Isuzu Ltd.	– Audit Committee - Chairman – Shareholder / Investor Relations Committee - Member
Precision Pipes & Profiles Company Ltd.	– Audit Committee - Member – Shareholder / Investor Relations Committee - Member
Adani Enterprises Ltd.	– Audit Committee - Member – Shareholder / Investor Relations Committee - Member
A2Z Maintenance & Engineering Services Ltd.	– Audit Committee - Chairman
Shree Renuka Sugars Ltd.	– Shareholder / Investor Relations Committee - Member
Axis Private Equity Ltd.	– Audit Committee - Chairman
Intas Pharmaceuticals Ltd.	– Audit Committee - Chairman

Mr. S. K. Tuteja does not hold any shares in the Company.

- d) Mr. K. Okihiro was co-opted on 10th November, 2011 as a Non Executive Director on our Board. He holds a graduate degree in Economics from Yokohama National University, Japan. Mr. Okihiro joined Sumitomo Corporation in 1982 in the Motor Vehicles Department No. 1 Asia and Oceania Section and has vast work experience in Sumitomo's overseas operations in Jakarta and Manila. His last assignment was in the Overseas Industrial Park Department in Sumitomo Corporation, Tokyo. He is currently the Chairman & Managing Director of Sumitomo Corporation India Private Limited. Mr. Okihiro has over 30 years experience in various departments.

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

Mr. K. Okihiro appointment would be as a Non-executive Director belonging to the promoter group.

- e) Mr. K. Iida was co-opted on 25th May, 2012 as a Non Executive Director on our Board. He holds a graduate degree in Social Science from California State University of Sacramento. Mr. Iida joined Isuzu Motors, Japan in 1977 in Export Service Department and has vast work experience in International Sales at Isuzu Motors, Japan. His last assignment was as an Associate Division Executive, International Division No. 5 and is currently Associate Division Executive, International Division No. 2. Mr. Iida has over 35 years experience in International Sales Divisions in the areas of Marketing and Servicing.

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

Mr. K. Iida appointment would be as a Non-executive Director.

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

Item No. 7

The Board of the Company had co-opted Mr. K. Okihiro as an Additional Director of the Company on 10th November, 2011 and as Additional Director he holds office upto the date of the forthcoming Annual General Meeting.

Mr. Okihiro joined Sumitomo Corporation in 1982 in the Motor Vehicles Department and has vast work experience in Sumitomo's overseas operations in Jakarta and Manila. His last assignment was in the Overseas Industrial Park Department in Sumitomo Corporation, Tokyo. He is currently the Chairman & Managing Director of Sumitomo Corporation India Private Limited.

A notice under Section 257 of the Companies Act, 1956 has been received proposing the appointment of Mr. Okihiro as a Director of the Company.

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

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

Item No. 8

Taking note of Mr. K. Iida's 35 years vast experience at Isuzu Motors, Japan in the areas of marketing and servicing in the automobile industry and guided by the imperatives of Company's future growth plans, the Board had co-opted Mr. K. Iida as an Additional Director of the Company on 25th May, 2012 and as Additional Director 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. Iida as a Director of the Company.

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

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

Item No. 9

The Non-Executive Independent Directors of the Company have been receiving no other remuneration except for the sitting fee for attending meetings of the Board and/or Committees thereof which, it is felt, is not commensurate with the time and attention required to be devoted and contributions made by them. Payment of Directors Commission has been accepted by most of the leading Corporates in the Country with a view to reward, retain and attract Independent Directors.

Having regard to the above and taking note of good financial results of the Company, the Board of Directors of the Company, in its meeting held on 25th May, 2012, has approved payment of Directors' Commission of Rs. 6.0 lakhs each to four Independent Directors namely Mr. S.K. Tuteja, Mr. Harkirat Singh, Mr. P.K. Nanda and Mr. A.K. Thakur for the Financial Year 2011-12 subject to the approval of shareholders. It may be noted that this commission is within the limits stipulated under Section 309(4) of the Companies Act, 1956.

The Board of Directors has also approved payment of Directors' Commission to the Independent Directors for a further period of 4 years commencing from Financial Year 2012-13 an amount not exceeding one percent of net profits as stipulated under Section 309(4) the Companies Act, 1956.

As the payment of Directors' Commission has to be approved by the Shareholders of the Company by passing a Special Resolution, the Board recommends the Resolution.

Independent Directors namely Mr. S.K. Tuteja, Mr. Harkirat Singh, Mr. P.K. Nanda and Mr. A.K. Thakur are interested in the resolution.

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

To the Members of SML ISUZU LIMITED (FORMERLY SWARAJ MAZDA LIMITED)

We have examined the compliance of conditions of Corporate Governance by SML Isuzu Limited ('the Company'), for the year ended on 31 March 2012, as stipulated in Clause 49 of the Listing Agreement of the Company with the stock exchanges in India.

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: June 15, 2012

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, 2012 in accordance with Clause 49 sub clause I(D) of the Listing Agreement.

Place : New Delhi
Dated : May 25, 2012

(YUTAKA WATANABE)
Managing Director & CEO

ATTENDANCE SLIP

SML ISUZU LIMITED

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

Annual General Meeting - 18th July, 2012

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*

No. of Shares held :

Client ID*

I hereby record my presence at the 28th Annual General Meeting of the Company at its Regd. Office & Works at Village Asron, Distt. Shahid Bhagat Singh Nagar, Nawanshahar - 144 553 (Punjab) on Wednesday the 18th July, 2012 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 28th Annual General Meeting of the Company to be held on Wednesday, the 18th July, 2012 at 1.00 PM and at any adjournment thereof.

Signed this day of 2012 by the said.

*To be used for shares held in
electronic form.

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.