

SML ISUZU LIMITED (FORMERLY SWARAJ MAZDA LIMITED)

BOARD OF DIRECTORS

S.K. TUTEJA	Chairman
HARKIRAT SINGH	
A.K. THAKUR	
P.K. NANDA	
STEVEN ENDERBY	
M. TABUCHI	
E. SETO	
H. YAMAGUCHI	
PANKAJ BAJAJ	
R.P. SEHGAL	Director - Works
Y. WATANABE	Managing Director & CEO

**EXECUTIVE DIRECTOR - FINANCE
& COMPANY SECRETARY**

GOPAL BANSAL

AUDITORS

PRICE WATERHOUSE

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
(NAWANSHAHR) PUNJAB-144 533

CORPORATE OFFICE

204-205, SECTOR 34-A,
CHANDIGARH-160 022

CONTENTS	PAGE NO.
Report of the Directors	3
Management Discussion and Analysis	8
Corporate Governance Report	11
Annexure to Directors' Report	19
Shareholders' Information	20
Balance Sheet	22
Profit & Loss Account	23
Cash Flow Statement	24
Schedules Forming part of the Accounts	26
Significant Accounting Policies	34
Notes to Accounts	37
Balance Sheet Abstract & General Business Profile	50
Auditors' Report	51
Notice of Annual General Meeting	56

27TH ANNUAL GENERAL MEETING

on Saturday, 6th August, 2011
at 1.00 P.M. at Village Asron,
Distt. Shahid Bhagat Singh Nagar,
(Nawanshahar) Punjab.

IMPORTANT COMMUNICATION TO SHAREHOLDERS

The Ministry of Corporate Affairs has taken a "Green Initiative in Corporate Governance" by allowing paperless compliances by companies and has issued circulars stating that service of notice / documents including Annual Report can be sent by e-mail to members. To support this green initiative of the Government in full measure, members who have not registered their e-mail addresses so far, are requested to register their e-mail addresses, in respect of electronic holdings with their Depository through their concerned Depository Participants as early as possible. Members who have provided their E-mail addresses desire to receive physical copy of the aforesaid documents as well as those members who hold shares in physical form would like to receive the aforesaid documents by E-mail are requested to inform the Company's Registrar and Transfer Agents M/s MCS Limited at their E-mail id "admin@mcsdel.com".

REPORT OF THE DIRECTORS

The Directors are pleased to present their Twenty Seventh Annual Report together with Audited Accounts for the financial year ended 31st March 2011, which was the 25th year since the Company commenced its commercial operations.

PERFORMANCE REVIEW

The improvement in the commercial vehicles market witnessed in the second half of the previous year continued and the Company was able to achieve the highest ever volume of sales at 12870 vehicles (10133). Net Revenue at Rs. 893.0 crores (Rs. 722.2 crores), Operating Profit of Rs. 69.5 crores (Rs. 58.0 crores) and Profit before Tax at Rs. 51.4 crores (Rs. 30.4 crores) also set new records.

Although sale of new products saw some improvement, these remained below targets set. Consequently, capital expenditure for the expansion project was restricted for the time being.

Receivables remained at satisfactory level having brought these to set standards in the previous year, and cash flow was well controlled.

It is in the above background that the Directors report the following summary of results for the year 2010-11

	Year Ended 31 st March, 2011	(Rupees in Crores) Year ended 31 st March, 2010
Sales Volume (Nos.)	<u>12870</u>	<u>10133</u>
Net Operating Revenue	893.00	722.23
Operating Profit	69.46	57.93
Profit Before Tax	51.38	30.43
Tax Expense	14.82	8.97
Profit After Tax	36.56	21.46
Balance of Profit from Prior Years	29.82	17.28
Surplus available for Appropriation :	66.38	38.74
Appropriations :		
Transfer to General Reserve	3.66	2.15
Proposed Dividend	11.58	5.79
Tax on Dividend	1.92	0.98
Amount carried to Balance Sheet	49.22	29.82

CHANGE OF COMPANY NAME

Members may recall that they had approved the change of Company's name from Swaraj Mazda Limited to SML Isuzu Limited through postal ballot process in November, 2010. Consequently, upon receipt of fresh Certificate of Incorporation dated 3rd January, 2011 from the Registrar of Companies, Punjab, Himachal Pradesh and Chandigarh, the new name of the Company has become effective.

DIVIDEND

Having regard to the improvement in financial results, the Directors have recommended payment of dividend for Financial Year 2010-11 @ 65% i.e. Rs 6.50 per share. In addition the Directors recommend a special dividend of 15% i.e. Rs 1.50 per share on completion of 25 years of commercial operations, making aggregate of 80% i.e. Rs 8.00 per share. Previous year's dividend was 40%.

EXPANSION PROJECT

Members may recall that Company had embarked upon its Expansion Project in fiscal 2006-07 by setting up facilities with a view to expand its product portfolio aimed to capitalize on the emerging business opportunities in the Indian Commercial Vehicles sector and to enable it to foray into the manufacture of air-conditioned luxury buses and coaches targeted at the tourism industry and long distance inter-city travel.

In the terms of the Rights Issue, it had been projected that the net proceeds of Rs.1800 lacs, earmarked for Expansion Project, would be utilized by March, 2011. However, as stated in the last fiscal's Directors Report, demand for luxury buses did not rise to expected levels. Accordingly, capital spending has been restricted to bare minimum and only a sum of Rs. 321.70 lacs utilized out of the aforesaid Rs. 1800 lacs. Shareholders' approval is being sought in the forthcoming Annual General Meeting of the Company for the deferment the date of completion of expenditure up to March, 2013.

MANAGEMENT DISCUSSION & ANALYSIS, CORPORATE GOVERNANCE

A Management Discussions and 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

Directors report with satisfaction that after a gap of 4-years a fresh Wage Agreement was concluded with the representatives of the workmen in cordial atmosphere.

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, 2011 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.

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.

CURRENT BUSINESS ENVIRONMENT

There are concerns that the estimated 8.5% economic growth in fiscal 2010-11 may not be sustained on account of various factors – both domestic & external, most importantly the effects of rising inflation, and the continuing uncertainties in most lead economies in the world. It is appropriate, therefore, to assume that the CV industry may not sustain the growth recently witnessed. The first two months of the current fiscal year has seen growth of CV volumes of 15% at half the rate of the comparable months last year;

and the SML Isuzu segment's growth is only 1% (17500 against 17300). Company's sales for the first two months stayed flat (1672 against 1699). Margins, too, will be under pressure with prices of metals and petroleum products showing no signs of coming down.

Despite the foregoing, the Directors look at the current year with cautious optimism because of the initiatives taken to maintain growth in traditional products at recent levels and enhancement in the performance of new products.

DIRECTORS

Mr Yash Mahajan decided to demit office of the Managing Director upon completion of his tenure of 5 years on 31st May, 2011. The Directors respected his decision and placed on record their deep sense of appreciation of his strong and inspirational leadership as Managing Director of the Company since its establishment in 1983, his dedication and outstanding contribution to nurturing it to its present position. They wished Mr. Mahajan a happy and healthy life ahead.

The Directors appointed Mr. Yutaka Watanabe, presently Whole-time Director of the Company, as Managing Director and Chief Executive Officer of the Company for a period of 5 years with effect from 1st June, 2011 on his existing remuneration subject to requisite approval of Shareholders of the Company in the General Meeting and of the Central Government, if required.

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

DIRECTORS' RESPONSIBILITY STATEMENT

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

- i) In the preparation of annual accounts, the applicable Accounting Standards have been followed along with proper explanations relating to material departures;
- ii) The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year under review;
- iii) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safe guarding the assets of the Company and preventing and detecting fraud and other irregularities;
- iv) The Directors have prepared annual accounts on a 'going concern' basis.

COST AUDIT

On the stipulation of the Central Government, Cost Audit of the Company for financial year 2010-11 was conducted by Messers Avtar Singh & Company, Cost Auditors. The Cost Auditors have given a clean report.

AUDITORS

Observations made by the Auditors, when read with the relevant notes under schedule 'N' to the Accounts, are self-explanatory. As such, in the opinion of the Directors, they do not call for a specific reply.

Messers Price Waterhouse (PW), the Company's Statutory Auditors informed the Company vide letter dated 15th May, 2011 that they would not be able to continue as a Statutory Auditors of the Company after the forthcoming Annual General Meeting.

Taking note of PW's decision, Directors placed on record their appreciation of the services rendered by Messers Price Waterhouse, Chartered Accountants, as Statutory Auditors during the last 28 years of their association with the Company.

Consequently, in the Board Meeting held on 30th June, 2011, the Directors, on the recommendation of the Audit Committee of the Board, appointed Messers B S R & Co., Chartered Accountants as the Statutory Auditors of the Company to hold office from the forthcoming Annual General Meeting (AGM) of the Company to subsequent AGM subject to the approval of shareholders.

FOR AND ON BEHALF OF THE BOARD

Dated : 30th June, 2011

S K TUTEJA
Chairman

Y. WATANABE
Managing Director & CEO

MANAGEMENT DISCUSSION AND ANALYSIS

1. INDUSTRY REVIEW

In fiscal 2010-11, Commercial Vehicle (CV) Industry achieved sales of 7,53,000 vehicles (5,76,400). Out of this, SML Isuzu segment (5.0 ton to 12.0 ton GVW) accounted for 99,500 (83,000) and represented 13.2% of aggregate volumes.

2. COMPANY PERFORMANCE

The Company shared in that growth and sold 12,870 vehicles (10,133), **the highest ever volume**, with an increase in market share to 13% (12.2%). Together with sale of spare parts, Net Revenue for 2010-11 was Rs. 893.0 crores (Rs. 722.2 crores), also the highest ever, as detailed below :

	(Rs. in Crores)	
	<u>2010-11</u>	<u>2009-10</u>
On sale of Vehicles	833.83	669.64
On sale of Spare Parts etc.	59.17	52.59
Total Net Revenue	893.00	722.23

Timely revision of vehicle prices helped neutralize substantial increases in vendor costs enabling the Company to keep the material cost at 2009-10 level of 79% of net revenue.

The wage revision arising from the 4-year Wage Agreement effective from April, 2010 and some new hirings at all levels needed for the manufacture of new products and increase in production levels of existing products added Rs.17.3 crores to Employee costs for the year. At Rs. 59.9 crores (Rs. 42.6 crores) these represented 6.7% of net revenue (5.9%).

Other costs were contained to lower percentages to net revenue than the previous year: Marketing costs at Rs. 32.9 crores (Rs. 30.7 crores) at 3.7% (4.3%), and other operating & administrative expenses at Rs. 23.8 crores (Rs. 20.0 crores) at 2.7% (2.8%) in fiscal 2010-11.

The new funds from the Rights Issue and significant reduction in the collection cycle of dues from Dealers, together with borrowings at lower rates enabled interest cost reduction by more than half – from Rs. 18.9 crores in 2009-10 to Rs. 9.2 crores.

Depreciation charge for the year was Rs. 8.9 crores (Rs. 8.6 crores).

Higher sale volumes and better per vehicle realizations during fiscal under review led to a significant improvement in the profitability of operations and the Company achieved the highest ever Operating Profit at Rs. 69.5 crores (Rs. 57.9 crores) and Profit Before Tax at Rs. 51.4 crores (Rs. 30.4 crores).

Net Profit after tax at Rs. 36.56 crores (Rs. 21.46 crores) translates to an earning of Rs. 25.26 per share (Rs.19.44).

Outgo on dividend account inclusive of tax at Rs. 13.5 crores would translate to a payout ratio of 36.9% (31.6%).

Net worth of the Company as on 31st March, 2011 rose to Rs. 212.8 crores (Rs.189.7 crores) comprising of an equity component of Rs. 14.5 crores (Rs. 14.5 crores) and reserves Rs. 198.3 crores (Rs. 175.2 crores).

Year-end borrowings from banks were Rs. 85.0 crores (Rs. 84.6 crores).

Year-end debtors were Rs. 116.5 crores (Rs 136.6 crores) reflecting the much improved collection cycle.

Year-end creditors were Rs. 137.5 crores (Rs. 136.9 crores), confirming the policy of timely payments to suppliers.

Gross Block and Net Block of assets respectively stood at Rs. 179.8 crores (Rs. 163.0 crores) and Rs. 127.5 crores (Rs. 119.1 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. During 2010-11, Company has concluded a Four Years Wage Agreement which would bring about further improvement in work culture with increased thrust on productivity quality and cost reduction. Employees strength as on 31st March, 2011 was 1073 (916).

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 11 mega cities with effect from 1st April, 2010 and Bharat Stage III norms in the rest of the country with effect from 1st October, 2010. Since steel, steel-based components and other materials represent 80% of input costs, abnormal rise in steel prices and extra burden from new emission norms would lead to higher production cost which may not be fully neutralized by revision in selling prices in view of intensely competitive operating environment.

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

6. CAUTIONARY STATEMENT

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

CORPORATE GOVERNANCE REPORT

SML Isuzu Limited (SML) (formerly Swaraj Mazda Limited) 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 services to its esteemed customers. SML fosters team spirit amongst employees by continuously raising their involvement & participation in decision making. SML places high emphasis on integrity and lifetime loyalty to the Company. SML recognizes that it is rewarding to be a better managed enterprise, focuses on good corporate governance and considers it a key driver of sustainable corporate growth and stake-holder value creation.

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; five are Non-executive Directors, out of which four, though belonging to the promoter group, are professional executives and one represents a significant shareholder. All the Non-executive Directors are highly qualified, possess vast knowledge and professional expertise in administration, accounts, finance, management, banking, insurance and other allied corporate disciplines. They bring independent judgement to the Board's deliberations and decision making. None of the Non-executive Directors has any material pecuniary relationship with the Company, which in their judgement would affect their independence.

The Managing Director, though in his individual capacity is a professional Director, belongs to the Company's Promoter group. 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 given below. None of the Directors on the Board is a Member on more than 10 Committees and Chairman of more than 5 Committees (as specified in Clause 49 of the Listing Agreements), across all the companies in which he is a Director.

The details of attendance of the Directors at the Board Meetings during financial year 2010-11 and the last Annual general Meeting held on 30th September, 2010 and also the number of other Directorships and Committee Memberships/Chairmanship as on 31st March, 2011 is as follows:

Name of Director	Category	Financial Year 2009-10		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	4	Yes	14	4	4
Mr. Harkirat Singh	Non Executive Independent	5	4	Yes	NIL	NIL	NIL
Mr. Steven Enderby	Non Executive	5	3	No	4	1	2
Mr. A. K. Thakur	Non Executive Independent	5	4	No	4	NIL	4
Mr. P. K. Nanda	Non Executive Independent	5	4	No	1	NIL	2
Mr. Pankaj Bajaj	Non Executive	5	3	No	NIL	NIL	NIL
Mr. M. Tabuchi	Non Executive	5	1	No	NIL	NIL	NIL
Mr. H. Yamaguchi	Non Executive	5	3	No	NIL	NIL	NIL
Mr. E. Seto (w.e.f. 28.05.2010)	Non Executive	5	Nil	No	NIL	NIL	NIL
Mr. R.P. Sehgal (Director-Works w.e.f. 27.07.2010)	Executive	4	3	Yes	NIL	NIL	NIL
Mr. Y. Watanabe (Whole-time Director till 31.05.2011 & Managing Director w.e.f. 01.06.2011)	Executive	5	5	Yes	NIL	NIL	NIL
Mr. Yash Mahajan (Managing Director till 31.05.2011)	Executive	5	5	Yes	2	NIL	NIL
Alternate Directors							
Mr. T.Kato (ceased w.e.f. 16.05.2011)	Alternate Director to Mr. M. Tabuchi	5	1	No	NIL	NIL	NIL
Mr. M. Maruyama (w.e.f. 16.05.2011)	Alternate Director to Mr. M. Tabuchi	N.A	N.A	N.A	N.A	N.A	N.A
Mr. T. Nanko (w.e.f. 16.05.2011)	Alternate Director to Mr. E.Seto	N.A	N.A	N.A	N.A	N.A	N.A

* 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 and 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 Agreement as amended from time to time entered into with Stock Exchanges as well as those specified in section 292 A of the Companies Act 1956, as amended from time to time and inter-alia, includes the following:-

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

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

During the Financial Year under review, 4 meetings of the Audit Committee of the Board were held on 27th May, 2010, 26th July, 2010, 28th October, 2010, and 26th January, 2011. 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 30th September, 2010.

The Audit Committee of the Board also met on 15th May, 2011 prior to the finalization of the Accounts for the Financial Year ended 31st March, 2011.

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

Name of the Member Director	No. of Meetings held	No. of Meetings attended
Mr. S.K.Tuteja, Chairman	4	3
Mr. Harkirat Singh	4	4
Mr. A.K. Thakur	4	4

(b) Shareholder / Investor Relations Committee

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

The Shareholder / Investor Relations Committee of the Board comprises of 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 2 directors.

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

The Company received 14 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, 2011, 17 meetings of the committee were held.

(c) 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 two meetings were held on 27th July, 2010 and 22nd February, 2011.

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

Name of the Member Director	No. of Meetings held	No. of Meetings attended
Mr. S.K.Tuteja, Chairman	2	2
Mr. P.K.Nanda	2	2
Mr. M. Tabuchi	2	2

Remuneration of Directors

Remuneration paid to Whole-time Directors is decided by the Board of Directors on the recommendation of the Remuneration Committee and approved by the shareholders at the Annual General Meeting. Non-Executive Independent Directors are paid sitting fee for attending the meetings of the Board of Directors and committees thereof within the prescribed limits as decided by the Board.

Following are the details of Directors remuneration paid during 2010-11.

Whole-time Directors

Name of Director	Salary (Basic & DA)	Commission	Contribution to Provident & other Funds	Other Perquisites	Stock Option	Total	Service Contract (Tenure)
Yash Mahajan Managing Director	60,00,000	33,56,000	16,20,000	19,93,541	NIL	1,29,69,541	Upto 31.05.2011
Y.Watanabe Whole-time Director	48,00,000	25,17,000	5,76,000	3,01,693	NIL	81,94,693	Upto 31.05.2016
R.P. Sehgal Director - Works	40,00,000	NIL	4,80,000	12,29,546	NIL	57,09,546	Upto 31.05.2013
Keiji Nakajima Whole-time Director	-	8,39,000	-	-	NIL	8,39,000	Ceased w.e.f. 01.07.2009

Non-Executive Director

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

3. 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
2007-08	10 th July, 2008	2.00 PM	Registered Office Village Asron, Distt. Shahid Bhagat Singh Nagar, (Nawanshahar) Punjab	Nil
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

Pursuant to the provisions of Section 192A of the Companies Act, 1956, the change of name of the Company from Swaraj Mazda Limited to SML Isuzu Limited was approved by the shareholders through postal ballot process in November 2010.

4. 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 para 6 of Schedule N of the Annual Accounts.

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 Schedule M of the Annual Accounts.

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, 2011 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 lacs 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. The net proceeds of the Rights Issue after deducting Rights Issue expenses of Rs. 118.52 lacs were utilized in terms of Letter of Offer dated 24th February, 2010.

As on 31st March, 2011 actual utilisation of Rights Issue funds has been:

(Rupees in lacs)

Particulars	As per Letter of Offer	As on 31 st March, 2011
Financing the Expansion Project	1,800.00	* 163.96
Repayment of Loan taken from Allahabad Bank in relation to the Expansion Project	5,000.00	5,000.00
General Corporate purposes	1,051.37	1,051.37

* Pending utilization Rs. 1,636.04 lacs, earmarked for financing the expansion project, have been placed with a commercial bank as fixed deposit as per terms of Letter of Offer.

f) Code of 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

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

iii) Shareholder Rights

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

iv) Audit Qualifications

During the financial year under review, there is no fresh 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.

5. MEANS OF COMMUNICATION

- a) 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). 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, 2011, no presentations were made to institutional investors or analysts;
- d) Management Discussion and Analysis Report forms part of the Directors' Report.

6. GENERAL SHAREHOLDERS INFORMATION

Covered under separate section in this Annual Report.

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.
- 125 number of 250/400W Mercury Vapour lamp fittings replaced with 65W CFL/ Metal Halide lights in the plant.
- Centralised switch provided for Production Shop Offices at the entrance to switch off all Lights, Fans, Air Conditioner etc.
- Asbestos sheets in Body Shop replaced with Fibre Glass sheets for natural lighting during day time.
- 20+20HP pump motors for paint booth water circulation replaced by 10HP Submersible pump.
- Blower for paint Shop primer booth air supply unit replaced with energy efficient blower. Current drawn decreased from 105A to 35A i.e. 45KW reduction.
- Compressed air leakage arrested resulting saving of 90KW power load used by compressor.
- One 40 HP motor submersible pump installed for water pumping instead of 50HP Pump.

2. TECHNOLOGICAL DEVELOPMENT

2.1 Absorption of technology for producing wider, longer and all sheet metal new design 41-45 seater bus on 5100mm wheel base new chassis from Zhong Tong Bus Holding Co. Limited, China.

2.2 Expenditure on Research & Development during 2010-11:

	(Rs. in Lacs)
(a) Capital	145.23
(b) Recurring	<u>564.69</u>
(c) Total	<u>709.92</u>
(d) R&D expenditure as a %age of total turnover	0.73%

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

Major R&D achievements have been:

- Developed and productionised Diesel as well as CNG Engine conforming BS IV norms of emission control.
- IS 12 T truck of 12T GVW on ISUZU base productionised.
- Developed semi-low floor bus chassis adopting Diesel engine.

3. FOREIGN EXCHANGE EARNING AND OUTGO

	(Rs. in Lacs)
Earnings in foreign currency	3,163.56
Expenditure in foreign currency	3,592.55

SHAREHOLDERS' INFORMATION

1. **Annual General Meeting**
 Date : **6th August, 2011**
 Time : **1.00 PM**
 Venue : **SML Isuzu Limited**
Village Asron, Distt. Shahid Bhagat Singh Nagar (Nawanshahar), Punjab
2. **Financial Calendar (tentative)**
 Financial reporting for
 Quarter ended 30th June, 2011 : 1st / 2nd week of August, 2011
 Quarter ending 30th Sept., 2011 : 3rd / 4th week of October, 2011
 Quarter ending 31st Dec, 2011 : 3rd / 4th week of January, 2012
 Year ending 31st March, 2012 : May/June, 2012
3. Book Closure : 15th July, 2011 to 26th July, 2011 (both days inclusive)
4. Dividend Payment : On or after 6th August, 2011, but within the Statutory time limit.
5. Listing on Stock Exchanges : Bombay Stock Exchange (BSE) & National Stock Exchange (NSE).
 Listing fee for 2011-12 for both these stock exchanges has been paid.

6. **Stock Market Data**

Monthwise 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.)
2010				
April	287	224	289	220
May	321	260	324	262
June	373	300	374	300
July	390	290	390	290
August	336	280	342	278
September	320	288	320	288
October	428	305	429	305
November	437	356	435	353
December	445	400	440	385
2011				
January	440	351	440	367
February	420	332	402	331
March	381	315	385	316
April	380	325	375	307
May	377	341	377	343
June	385	353	395	332

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 (Formerly Swaraj Mazda 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 Identifications 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 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 2010-11 was 18509 (Previous Year 11300)

Income Tax PAN 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- 160 022 F - 65, Okhla Industrial Area,
addressed to Tele: 0172-2647700-10, Phase - I, New Delhi - 110 020
Fax: 0172-2615111 Tele: 011-41404149
Fax: 011- 41709881

11. Shareholding Pattern as on 30th June, 2011

12. Distribution of Shareholding as on 30th June, 2011

Category	No. of Share-holders	Voting Strength %	No. of Shares held
Promoters	1	54.96	7,954,187
Mutual Funds & UTI	10	9.66	1,397,525
Other Bodies Corporate	214	4.61	667,788
FII's/NRI's/OCB's	986	17.72	2,564,664
Individuals	9,913	13.05	1,887,482
Total	11,124	100.00	14,471,646

No. of Equity Shares held	No. of Share-holders	No. of Shares	%age of Share-holding
1-100	8,691	594,559	4.11
101-200	1,280	214,788	1.48
201-500	663	227,379	1.57
501-1000	233	174,580	1.21
1001-5000	205	442,799	3.06
5001-above	52	12,817,541	88.57
Total	11,124	14,471,646	100.00

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

14. Plant Location : SML Isuzu Limited
Village Asron,
Distt. Shahid Bhagat Singh Nagar (Nawanshahar), Punjab 144533

15. 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 – 160 022

Tele: 0172-2647700-10, Fax: 0172-2615111, Email : gbansal@smlisuzu.com

16. Website Address : www.smlisuzu.com

BALANCE SHEET AS AT 31ST MARCH, 2011

(Rs. in lacs)

	Schedule	2011	2010
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	A	1,447.88	1,447.88
Reserves and Surplus	B	19,830.88	17,525.17
		21,278.76	18,973.05
Loan Funds			
Secured Loans	C	—	463.37
Unsecured Loans	D	8,500.00	8,000.00
Deferred Tax Liabilities (Net)	F	801.04	617.04
		30,579.80	28,053.46
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	E	17,977.65	16,296.42
Less : Depreciation		5,227.79	4,386.23
Net Block		12,749.86	11,910.19
Capital Work-in-Progress		785.43	598.20
Current Assets, Loans & Advances			
Inventories	G	21,015.88	16,000.01
Sundry Debtors		11,650.64	13,655.99
Cash and Bank Balances		4,101.54	3,205.05
Other Current Assets		308.27	162.85
Loans and Advances		3,702.08	3,377.67
		40,778.41	36,401.57
Less :			
Current Liabilities and Provisions			
Current Liabilities	H	19,843.56	18,496.15
Provisions		3,890.34	2,360.35
		23,733.90	20,856.50
Net Current Assets		17,044.51	15,545.07
		30,579.80	28,053.46
Significant Accounting Policies			
Notes to Accounts			
	M		
	N		

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

The Schedules referred to above form an integral part of the Balance Sheet.

FOR AND ON BEHALF OF THE BOARD

For Price Waterhouse
Firm Registration Number : 301112 E
Chartered Accountants

S.K. TUTEJA
Chairman

V. NIJHAWAN
Partner
Membership Number : F87228
Place of Signature : New Delhi
Date : May 16, 2011

GOPAL BANSAL
Executive Director - Finance
& Company Secretary

YASH MAHAJAN
Managing Director

New Delhi, May 16, 2011

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011

(Rs. in lacs)

	Schedule	2011	2010
INCOME			
Sales		97,277.52	77,524.35
(Refer Note 2 on Schedule M and Note 10 (b) on Schedule N)			
Less : Excise Duty		8,768.55	5,848.41
Net Sales Revenue		88,508.97	71,675.94
Other Income	I	791.51	547.01
Total		89,300.48	72,222.95
EXPENDITURE			
Manufacturing and Other Expenses	J	82,354.66	66,430.00
Finance Charges (Net)	L	916.72	1,885.67
Depreciation/Amortisation	E	891.12	864.15
Total		84,162.50	69,179.82
Profit for the year before Tax Expense		5,137.98	3,043.13
Tax Expense Net (Refer Note 10 on Schedule M and Note 8 & 22 on Schedule N)			
- Current Tax		1,234.00	526.00
- Current Tax Earlier Years		64.25	11.18
- Deferred Tax		184.00	897.00
- MAT Credit Entitlement		—	(537.18)
Profit for the year after Tax Expense		3,655.73	2,146.13
Balance brought forward from previous year		2,982.23	1,727.95
Profit available for Appropriation		6,637.96	3,874.08
APPROPRIATIONS			
Proposed Dividend		1,157.73	578.86
Dividend Tax and Surcharge		192.29	98.38
General Reserve		365.57	214.61
Balance Carried to Balance Sheet		4,922.37	2,982.23
		6,637.96	3,874.08
Earning Per Share (Refer Note 7 on Schedule N)			
Basic/Diluted Earning Per Share (Face Value Rs. 10/-) (Rs.)		25.26	19.44
Significant Accounting Policies	M		
Notes to Accounts	N		

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

The Schedules referred to above form an integral part of the Profit and Loss Account.

FOR AND ON BEHALF OF THE BOARD

For Price Waterhouse
Firm Registration Number : 301112 E
Chartered Accountants

S.K. TUTEJA
Chairman

V. NIJHAWAN
Partner
Membership Number : F87228
Place of Signature : New Delhi
Date : May 16, 2011

GOPAL BANSAL
Executive Director - Finance
& Company Secretary

YASH MAHAJAN
Managing Director

New Delhi, May 16, 2011

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011

(Rs. in lacs)

	2011	2010
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit Before Tax Expense	5,137.98	3,043.13
Adjustments For :		
Depreciation	891.12	864.15
Foreign Exchange Fluctuation	(0.49)	(61.55)
Interest Expense	865.44	1,693.02
Interest Income	(121.80)	(27.48)
Assets Written off	0.30	2.39
Gain on disposal of fixed assets	(1.49)	(5.58)
Provision for Doubtful Debts & Advances	106.90	77.75
Provision for Retirement Benefits	438.78	195.53
Provision for Warranty	344.93	159.27
Provision for Wealth Tax	0.23	0.33
Liabilities/Provisions no longer required written back	(170.88)	(88.24)
	2,353.04	2,809.59
Operating Profit Before Working Capital Changes	7,491.02	5,852.72
Adjustments for :		
Decrease/(Increase) in Sundry Debtors	1,950.97	924.11
Decrease/(Increase) in Other Current Assets	(56.60)	19.37
Decrease/(Increase) in Loans and Advances	(620.41)	72.26
Decrease/(Increase) in Inventories	(5,015.87)	(1,070.82)
(Decrease)/Increase in Current Liabilities	636.05	5,445.05
	(3,105.86)	5,389.97
Cash Generated From Operations	4,385.16	11,242.69
Less: Direct Tax Paid [net of refunds Rs. 62.69 lacs (Previous year Rs. 123.47 lacs)]	915.68	412.00
Less: Wealth Tax Paid	0.33	0.62
Less: Fringe Benefit Tax Paid [net of refunds Rs. Nil (Previous year Rs. 6.50 lacs)]	—	0.50
Net Cash Generated From Operating Activities	3,469.15	10,829.57
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(1,091.24)	(665.97)
Proceeds from sale of Fixed Assets	4.28	10.28
Interest Received	20.02	25.83
Net Cash Used In Investing Activities	(1,066.94)	(629.86)

(Rs. in lacs)

	2011	2010
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Rights issue of shares (net of issue expenses)	–	7,851.38
Unsecured Loans taken during the year	56,812.50	10,000.00
Unsecured Loans repaid during the year	56,312.50	8,900.00
Secured Loans taken / (repaid) during the year	(509.18)	(14,746.19)
Dividend Paid	(577.89)	(164.14)
Dividend Tax	(98.38)	(26.73)
Interest Paid	(866.06)	(1,790.61)
Net Cash Inflow/(Outflow) from Financing Activities	(1,551.51)	(7,776.29)
Net Increase in Cash and Cash Equivalents	850.70	2,423.42
Cash and Cash Equivalents as at the beginning of the year (#1)	3,124.18	700.89
Cash and Cash Equivalents as at the end of the year (#2)	3,974.88	3,124.31

Notes :

# 1 Cash and Bank Balances	3,205.05	700.89
Less : Cash Credit Accounts (being treated as financing activity)	(80.87)	–
Cash and Cash Equivalents – Opening Balance	3,124.18	700.89
# 2 Cash and Bank Balances	4,101.54*	3,205.05*
Less : Cash Credit Accounts (being treated as financing activity)	(126.68)	(80.87)
Cash and Cash Equivalents – Closing Balance	3,974.86	3,124.18

* Net of unrealised foreign exchange loss of Rs. 0.02 lacs (Previous year Rs. 0.13 lacs)

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 indicate cash outflows.
- Cash and cash equivalents includes balance in Unpaid Dividend Accounts aggregating to Rs. 117.10 lacs (Previous Year Rs. 116.13 lacs), in Fixed Deposit Accounts Rs. 153.37 lacs (Previous Year Rs. 172.38 lacs) and Margin Money Account Rs. 13.10 lacs (Previous year Rs. Nil) pledged as margin money with banks against issue of letters of credit and bank guarantees and in Fixed Deposits Rs. 1,636.04 lacs (Previous Year Rs. 1,800.00 lacs) being balance proceeds of issue of shares on rights basis pending utilisation, which are not available for use by the Company.
- 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

For Price Waterhouse
Firm Registration Number : 301112 E
Chartered Accountants

S.K. TUTEJA
Chairman

V. NIJHAWAN
Partner
Membership Number : F87228
Place of Signature : New Delhi
Date : May 16, 2011

GOPAL BANSAL
Executive Director - Finance
& Company Secretary

YASH MAHAJAN
Managing Director

New Delhi, May 16, 2011

SCHEDULES FORMING PART OF THE ACCOUNTS

SCHEDULE A

(Rs. in lacs)

	2011	2010
SHARE CAPITAL		
Authorised		
4,00,00,000 Equity Shares (Previous year 4,00,00,000) of Rs. 10/- each	<u>4,000.00</u>	<u>4,000.00</u>
Issued, Subscribed and Paid-up		
1,44,71,646* Equity Shares (Previous year 1,44,71,646) of Rs. 10/- each fully paid-up	<u>1,447.17</u>	<u>1,447.17</u>
Add : Forfeited Shares [Amount paid-up on 13,300 Equity Shares (Previous year 13,300) of Rs.10/- each]	<u>0.71</u>	<u>0.71</u>
	<u>1,447.88</u>	<u>1,447.88</u>

*Includes 100 Equity Shares (Previous year 100) of Rs.10/- each fully paid-up and held by a NRI but not allotted pending clearance from the Reserve Bank of India.

Of the above, 7,954,187 (Previous year 7,954,187) equity shares are held by Sumitomo Corporation, Japan the holding Company.

SCHEDULE B

(Rs. in lacs)

	2011	2010
RESERVES AND SURPLUS		
Capital Reserve	15.00	15.00
(Refer Note 11 on Schedule M)		
Securities Premium Account		
(Refer Note 25 on Schedule N)		
Premium on Rights issue of shares	<u>7,452.88</u>	<u>7,571.40</u>
Less : Rights issue Expenses	<u>—</u>	<u>118.52</u>
	<u>7,452.88</u>	<u>7,452.88</u>
General Reserve		
Balance brought forward	<u>7,075.06</u>	<u>6,860.45</u>
Add : Transferred from Profit and Loss Account	<u>365.57</u>	<u>214.61</u>
	<u>7,440.63</u>	<u>7,075.06</u>
Profit and Loss Account	<u>4,922.37</u>	<u>2,982.23</u>
	<u>19,830.88</u>	<u>17,525.17</u>

SCHEDULES FORMING PART OF THE ACCOUNTS

SCHEDULE C

(Rs. in lacs)

	2011	2010
SECURED LOANS		
From Banks		
– Cash Credit *	–	463..37
	–	463.37

Notes :

- * The limits sanctioned of Cash Credit by the bankers are secured by a first charge by way of hypothecation of the Company's Current Assets i.e Stocks, Bills Receivable, Book Debts and other movables of the Company and also by way of a collateral charge on the Company's immovable and movable property. The charge on immovable property is yet to be created by the Company.

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.

SCHEDULE D

(Rs. in lacs)

	2011	2010
UNSECURED LOANS		
From Banks		
- Short Term Loan	8,500.00	5,000.00
From Others		
- Short Term Loan	–	3,000.00
	8,500.00	8,000.00

SCHEDULES FORMING PART OF THE ACCOUNTS

SCHEDULE E

FIXED ASSETS

(Refer Notes 3, 4, 12 and 14 on Schedule M and Note 24 on Schedule N)

(Rs. in lacs)

Description	GROSS BLOCK				DEPRECIATION/AMORTISATION				NET BLOCK	
	As at 01.04.2010	Additions during the year	Adjust- ments	As at 31.03.2011	As at 01.04.2010	For the year	Adjust- ments	As at 31.03.2011	As at 31.03.2011	As at 31.03.2010
Tangible Assets										
Freehold Land	48.74	—	—	48.74	—	—	—	—	48.74	48.74
Building	6,131.34	267.26	—	6,398.60	815.08	206.39	—	1,021.47	5,377.13	5,316.26
Plant and Machinery	7,651.16	1,199.50	47.18	8,803.48	2,302.81	436.14	46.94	2,692.01	6,111.47	5,348.35
Jigs and Fixtures	768.20	8.40	0.07	776.53	415.89	38.82	0.07	454.64	321.89	352.31
Furniture, Fixtures & Office Equipments	278.17	57.27	0.24	335.20	175.09	20.82	0.09	195.82	139.38	103.08
Computers	366.08	58.64	1.01	423.71	263.10	65.04	1.01	327.13	96.58	102.98
Vehicles	779.60	142.81	4.15	918.26	364.72	92.97	1.45	456.24	462.02	414.88
Intangible Assets										
Technical Know-How	273.13	—	—	273.13	49.54	30.94	—	80.48	192.65	223.59
Total	16,296.42	1,733.88	52.65	17,977.65	4,386.23	891.12	49.56	5,227.79	12,749.86	11,910.19
Previous Year	13,499.46	2,835.89	38.93	16,296.42	3,553.92	864.15	31.84	4,386.23	11,910.19	

CAPITAL WORK-IN-PROGRESS (CWIP)

Capital Advance									6.41	13.76
Direct Capital Expenditure									566.32	455.40
Indirect expenditure pending allocation :										
- Interest Cost									—	24.87
- Other Expenditure									212.70	104.17
Total CWIP									785.43	598.20

Notes :

- Indirect other expenditure pending allocation includes salary, power charges, travelling, foreign technician expenses, testing expenses, & other administrative expenses and is net of amount recovered from sale [net of excise duty Rs. Nil (Previous year Rs. 1.92 lacs)] of vehicle produced during test run Rs. Nil (Previous year Rs. 22.97 lacs).
- Interest capitalised during the year Rs. Nil (Previous year Rs. 171.17 lacs) as per AS-16 notified under Section 211(3C) of the Companies Act, 1956

SCHEDULE F

(Rs. in lacs)

	2011	2010
DEFERRED TAX LIABILITIES / (ASSETS)		
(Refer Note 10 on Schedule M & Note 8 on Schedule N)		
Deferred Tax Liability / (Assets)		
- At the beginning of the year	617.04	(279.96)
- Adjustment during the year	184.00	897.00
	801.04	617.04

SCHEDULES FORMING PART OF THE ACCOUNTS

SCHEDULE G

(Rs. in lacs)

	2011	2010
CURRENT ASSETS, LOANS & ADVANCES		
CURRENT ASSETS		
INVENTORIES		
(Refer Note 5 on Schedule M & Note 10b on Schedule N)		
Raw Materials & Components	10,262.13	6,635.17
Raw Materials - Goods-in-Transit	570.40	862.62
Stores and Spare Parts	79.32	72.93
Loose Tools	31.17	39.07
Work-in-Progress	1,615.47	1,161.84
Finished Goods		
– Vehicles *	7,525.34	6,700.61
– Spares	932.05	527.77
	8,457.39	7,228.38
	21,015.88	16,000.01
* - Includes Finished goods of vehicles produced during test run production amounting to Rs. 174.72 lacs (Previous year Rs. 209.44 lacs) valued at material cost.		
SUNDRY DEBTORS (Refer Note 28 on Schedule N)		
(Considered good unless otherwise stated)		
Debts outstanding for more than six months :		
– Secured	0.69	2.00
– Unsecured [Including Rs. 566.17 lacs considered doubtful (Previous year Rs. 684.98 lacs)]	1,846.21	905.93
Less : Provision for doubtful debts	566.17	684.98
	1,280.04	220.95
	1,280.73	222.95
Other Debts :		
– Secured	275.26	531.78
– Unsecured [including Rs. Nil considered doubtful (Previous year Rs. 0.24 lacs)]	10,094.65	12,901.50
Less : Provision for doubtful debts	–	0.24
	10,094.65	12,901.26
	11,650.64	13,655.99
CASH AND BANK BALANCES		
Cash-in-Hand	12.88	12.68
[Includes Stamps in Hand Rs. 1.51 lacs (Previous year Rs. 1.51 lacs)]		
Balances with Scheduled Banks on :		
– Current Accounts (Refer Note 25 on Schedule N)	2,030.76	2,812.13
– Cash Credit Accounts	126.68	80.87
– Unpaid/Unclaimed Dividend Accounts	117.10	116.13
– Margin Money Account	13.10	–
– Fixed Deposits	1,801.02	183.24
[Includes Rs. 153.37 lacs (Previous year Rs. 172.38 lacs) in Fixed Deposit and Rs. 13.10 lacs (Previous year Rs. Nil) in Margin Money Account Pledged as Margin money with banks against issue of letters of credit and bank guarantees]	4,088.66	3,192.37
	4,101.54	3,205.05

SCHEDULES FORMING PART OF THE ACCOUNTS

SCHEDULE G (Continued)

(Rs. in lacs)

	2011	2010
OTHER CURRENT ASSETS		
(Unsecured considered good unless otherwise stated)		
Prepaid Expenses	17.84	11.63
Interest accrued but not due on Fixed Deposits	88.82	—
Export Incentives Receivables	208.56	158.17
[Including Rs. 6.95 lacs considered doubtful (Previous Year Rs. 6.95 lacs)]		
(Refer Note 2 on Schedule M)		
Less : Provision for doubtful current assets	6.95	151.22
	<u>201.61</u>	<u>162.85</u>
	<u>308.27</u>	
LOANS AND ADVANCES		
(Unsecured considered good unless otherwise stated)		
Advances recoverable in cash or in kind or for value to be received	2,485.95	1,759.60
Security Deposits	208.00	240.28
[Including Rs. 0.36 lacs considered doubtful (Previous year Rs.0.36 lacs)]		
Less : Provision for doubtful deposits	0.36	239.92
Balance with Excise Authorities	622.09	695.74
(Refer Note 2 on Schedule N)		
MAT Credit Entitlement (Refer Note 22 on Schedule N)	386.40	578.40
Advance Tax	—	104.01
[Net of Provision Rs. Nil (Previous Year Rs. 7,636.66 lacs)]		
	<u>3,702.08</u>	<u>3,377.67</u>

SCHEDULE H

(Rs. in lacs)

	2011	2010
CURRENT LIABILITIES AND PROVISIONS		
CURRENT LIABILITIES		
(Refer Note 28 on Schedule N)		
Acceptances*	2,491.63	1,768.09
Sundry Creditors (Refer Note 16 on Schedule N)	—	—
– Total outstanding dues of Micro and Small Enterprises	—	—
– Total outstanding dues of creditors other than Micro and Small Enterprises	14,550.05	14,670.78
Customer Advances	978.33	574.95
Unclaimed Dividends	117.10	116.13
Other Liabilities	1,706.45	1,365.58
Interest accrued but not due on short term loan	—	0.62
	<u>19,843.56</u>	<u>18,496.15</u>
PROVISIONS		
Provision for Taxation (Net of Advance Tax Rs. 8,861.31 lacs)	73.60	—
Wealth Tax	0.23	0.33
Proposed Dividend	1,157.73	578.86
Tax on Proposed Dividend	192.29	98.38
Employee Benefits (Refer Note 6 on Schedule M & Note 20 on Schedule N)	1,659.63	1,220.85
Warranty [Refer Note 8 on Schedule M & Note 4(b) on Schedule N]	806.86	461.93
	<u>3,890.34</u>	<u>2,360.35</u>
	<u>23,733.90</u>	<u>20,856.50</u>

* Secured to the extent of Rs. 1450.42 lacs (Previous year Rs. 967.36 lacs) against hypothecation of Raw Material & Components.

SCHEDULES FORMING PART OF THE ACCOUNTS

SCHEDULE I

(Rs. in lacs)

	2011	2010
OTHER INCOME		
Sale of Scrap	304.31	207.65
Export Incentives (Refer Note 2 on Schedule M)	235.50	162.36
Profit on Sales of Fixed Assets	1.49	5.58
Liabilities/Provisions no longer required written back	170.88	88.24
Royalty	74.31	65.84
Miscellaneous Income	5.02	17.34
	<u>791.51</u>	<u>547.01</u>

SCHEDULE J

(Rs. in lacs)

	2011	2010
MANUFACTURING AND OTHER EXPENSES		
Materials Consumed		
Raw Materials and Components consumed* (Refer Note 11 & 21 on Schedule N)	68,955.67	55,024.74
Movement of Finished Goods and Work-in-Progress		
Opening Stock		
– Finished Goods	7,228.38	6,158.84
– Work-in-Progress	1,161.84	1,562.45
	<u>8,390.22</u>	<u>7,721.29</u>
Add : Purchases of Finished Goods	3,370.82	2,662.92
	<u>11,761.04</u>	<u>10,384.21</u>
Less : Closing Stock		
– Finished Goods	8,457.39	7,228.38
– Work-in-Progress	1,615.47	1,161.84
	<u>10,072.86</u>	<u>8,390.22</u>
	<u>1,688.18</u>	<u>1,993.99</u>
Total Consumption	70,643.85	57,018.73
Less : Vehicles Capitalised	49.82	2.47
Add : Increase in excise duty on finished goods	92.66	85.37
Net Consumption	<u>70,686.69</u>	<u>57,101.63</u>
Operating, Administrative and Other Expenses (as per Schedule K)	<u>11,667.97</u>	<u>9,328.37</u>
	<u>82,354.66</u>	<u>66,430.00</u>

* Includes Exchange loss on Foreign Currency transactions Rs 102.02 lacs (Previous year Exchange gain Rs. 96.65 lacs)

SCHEDULES FORMING PART OF THE ACCOUNTS

SCHEDULE K

(Rs. in lacs)

	2011	2010
OPERATING, ADMINISTRATIVE & OTHER EXPENSES		
(Refer Note 7 on Schedule M & 21 on Schedule N)		
Salaries, Wages and Bonus	4,916.82	3,511.15
(Refer Note 6 on Schedule M and Notes 19 & 20 on Schedule N)		
Contribution to Provident and Other Funds	728.76	480.83
(Refer Note 6 on Schedule M & Note 20 on Schedule N)		
Workmen and Staff Welfare	348.82	263.42
Consumption of Stores, Spares and Tools	151.13	84.93
(Refer Note 12 (b) on Schedule N)		
Repair and Maintenance :		
– Machinery	22.21	17.33
– Building	32.54	25.11
– Others	90.28	116.93
Power and Fuel	594.10	461.57
Rent	162.35	151.73
(Refer Note 13 on Schedule M & Note 18 on Schedule N)		
Rates and Taxes	56.48	98.81
Legal and Professional (Refer Note 9 on Schedule N)	105.50	96.10
Insurance	46.67	47.24
Printing, Stationery, Postage and Telephone	112.61	114.94
Travelling and Conveyance	694.65	544.72
Provision for Doubtful Debts	106.90	77.75
Marketing, Sales and Promotion Expenses	3,157.47	2,932.51
(Refer Note 4 on Schedule N)		
Royalty	15.70	9.30
Testing, Analytical & Laboratory Expenses	97.07	99.21
Directors' Sitting Fees	12.80	14.10
Exchange loss on Foreign Currency	20.20	11.58
Transactions (Refer Note 9 on Schedule M)		
Miscellaneous Expenses (Refer Note 24 on Schedule N)	195.71	169.11
	11,668.77	9,328.37
Less : Expenditure transferred to Fixed Assets	0.80	–
(Refer Note 3 on Schedule M)		
	<u>11,667.97</u>	<u>9,328.37</u>

SCHEDULES FORMING PART OF THE ACCOUNTS

SCHEDULE L

(Rs. in lacs)

	2011	2010
FINANCE CHARGES (Net)		
(Refer Note 12 on Schedule M & Note 25 on Schedule N)		
Interest on Loans	865.44	1,693.02
Interest Others	82.35	73.94
Bank Charges	90.73	146.19
	1,038.52	1,913.15
LESS :		
Interest on Fixed Deposits (Gross)	115.16	11.70
[Tax deducted at source Rs. 11.59 lacs (Previous year Rs. 1.17 lacs)]		
Interest on Custom Duty Refund	—	8.67
Interest Others	6.64	7.11
[Tax deducted at source Rs. 1.37 lacs (Previous year 0.48 lacs)]		
	916.72	1,885.67

SCHEDULES FORMING PART OF THE ACCOUNTS**SCHEDULE M**

SIGNIFICANT ACCOUNTING POLICIES**1) ACCOUNTING CONVENTION**

The Financial Statements are prepared to comply in all material aspects with the applicable accounting principles in India, the applicable Accounting Standards notified under Section 211(3C) of the Companies Act, 1956 and the relevant provisions of the Companies Act, 1956.

2) 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.

3) FIXED ASSETS / INTANGIBLE ASSETS

Fixed assets are recorded at cost of acquisition. 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 salary 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, advances made for acquisition of capital assets and interest on the funds deployed for construction.

4) 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:

Motor cars and air conditioners	–	25.00%
Computers	–	33.33%

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.

5) 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 valuation.

6) EMPLOYEE BENEFITS

(a) Post-employment benefit plans

i. Defined Contribution Plans - The Company contributes to the appropriate authorities its share of the Employees' Provident & Pension Fund and Employee State Insurance, which is charged to Profit and Loss Account every year. The Company has created trust which has taken Master policy with the Life Insurance Corporation of India to cover its liability towards employees' Superannuation. Annual contribution of Superannuation is charged to Profit and Loss Account every year

ii. Defined Benefit Plans - The estimated liability towards Gratuity and Leave Encashment is being provided for based on the actuarial valuation carried out at the year-end using Projected Unit Credit Method. Actuarial gains and losses are recognized in full in the Profit and Loss Account for the period in which they occur.

The Company has created trust which has taken Master policy with the Life Insurance Corporation of India to cover its liability towards employees' Gratuity. The Gratuity obligation recognized in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost and as reduced by the fair value of Gratuity Fund.

(b) Short term employment benefits

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

7) RESEARCH & DEVELOPMENT

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

8) WARRANTY EXPENSES

Provision for warranty is made in the accounts on the basis of past experience and technical evaluation in respect of vehicles sold.

9) FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions are recorded at exchange rates prevailing at the date of transaction. Exchange differences, if any, arising on settlement of transactions are recognized as income or expense in the year in which they arise.

At the Balance Sheet date all monetary assets and monetary liabilities denominated in foreign currency are reported at the exchange rates prevailing at the Balance Sheet date and the resultant exchange difference, if any, is recognized in the Profit & Loss Account.

10) TAXATION

Tax Expense, comprising current tax & deferred tax is included in determining the net profit for the year. The current tax has been computed in accordance with relevant tax rates and tax laws. 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.

In accordance with Accounting Standard – 22 'Accounting for Taxes on Income', notified under Section 211(3C) of the Companies Act, 1956, the deferred tax for timing differences between the book and the tax profits for the year is accounted

for using the tax rates and laws that have been enacted or substantially enacted as on the Balance Sheet date. However, in the year of transition, the accumulated deferred tax (liabilities) / assets at the beginning of the year has been recognized with a corresponding charge to the General Reserve.

Deferred tax assets arising from temporary timing differences are recognized to the extent there is a reasonable / virtual certainty that the assets can be realised in the future and are reviewed for the appropriateness of their respective carrying values at each Balance Sheet date.

11) GOVERNMENT GRANTS

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

12) 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.

13) LEASES

As lessee:

Lease rental in respect of assets taken on "Operating Lease" are charged to Profit & Loss account on straight-line basis over the lease term.

14) IMPAIRMENT OF ASSETS

In accordance with Accounting Standard – 28 on 'Impairment of Assets', notified under Section 211(3C) of the Companies Act, 1956, recoverable amount of relevant assets is computed and compared with the carrying amount for determining impairment loss, if any at the Balance Sheet date in case there is an indication that any asset may be impaired. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised in the Profit and Loss Account to the extent the carrying amount exceeds recoverable amount.

15) PROVISIONS AND CONTINGENCIES

Provisions are recognized when the Company has a present obligation as a result of past events, for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions required to settle are reviewed regularly and are adjusted where necessary to reflect the current best estimates of the obligation. Where the Company expects a provision to be reimbursed, the reimbursement is recognized as a separate asset, only when such reimbursement is virtually certain. Contingent liabilities are disclosed after an evaluation of the facts and legal aspects of the matters involved.

SCHEDULES FORMING PART OF THE ACCOUNTS

SCHEDULE N

NOTES TO ACCOUNTS

1. There are Contingent Liabilities in respect of:

a) Claims against the Company not acknowledged as debts:

Particulars	2010-11 (Rs. in lacs)	2009-10 (Rs. in lacs)
Sales Tax Cases	261.71	278.95
Excise and Service Tax Cases	116.40	56.54
Income Tax Cases	402.98	265.88
Civil Cases	212.47	31.82
Total	993.56	633.19

b) Bank Guarantees given by the Company and outstanding as on 31.03.2011 amounting to Rs. 1,354.95 lacs (Previous Year Rs. 1,814.29 lacs).

c) Letters of Credit issued on behalf of the Company by its bankers and outstanding as on 31.03.2011 amounting to Rs. 2,554.67 lacs (Previous Year Rs. 1,884.82 lacs).

2. Through issue of excise notification no 11/95 dated March 16, 1995 Government sought to lapse Rs. 488 lacs out of Modvat Credit Receivable balance as on March 16, 1995. Petition by the Company and others 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. The Finance Act, 1999 has, however, brought in retrospective amendment w.e.f. March 16, 1995 in the Central Excise Act, empowering the Central Government to lapse such modvat. On legal advice obtained by the Company to seek redressal against the action of the Government, the Company has filed writ petition before the Delhi High Court on the ground that the Government action violates the doctrine of promissory estoppel/expectation principle beside other grounds. The Court has already admitted the petition. Accordingly, pending Company's petition and decision thereupon, the amount of Rs. 488 lacs though adjusted in excise records has not been provided in the books of account.

3. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) Rs. 417.22 lacs (Previous Year Rs. 455.73 lacs).

4. (a) Market promotion expenses (Schedule K) includes Commission on Sales amounting to Rs. 53.40 lacs (Previous Year Rs. 159.16 lacs) & Liquidated damages on execution of sales orders amounting to Rs. 103.64 lacs (Previous Year Rs. Nil).

(b) Provision For Warranty*	2010-11 Rs. In lacs	2009-10 Rs. In lacs
Opening Balance	461.93	302.66
Additions during the Year	553.93	361.47
Utilized during the year	209.00	202.20
Closing Balance	806.86	461.93

*As per warranty policy, the Company is required to provide free repair and replacement of parts required due to manufacturing defects which appear during the warranty period.

5. 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.
6. 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 Sumitomo Corporation, Japan
 - ii. Key Management Personnel *
 - Mr. Yash Mahajan – Managing Director
 - Mr. Y. Watanabe – Whole-time Director (w.e.f 1st July, 2009)
 - Mr. K. Nakajima – Whole-time Director (up to 30th June, 2009)
 - Mr. R.P. Sehgal – Whole-time Director (w.e.f 1st June, 2010)

*As identified and certified by the Management

iii. Transactions with Sumitomo Corporation:

	2010-2011	2009-2010
	Rs. In lacs	Rs. In lacs
a. Purchase of components/spares	3,888.64	1,293.03
b. Purchase of fixed assets	15.08	20.44
c. Discounting charges	13.85	5.78
d. Dividend paid (Gross)	318.17	84.19
e. Issue of 2,341,234 Equity Shares of Rs. 10/- each at a premium of Rs. 190/- each.	–	4,682.47
f. Balance outstanding at year end – Payable	1,449.61	955.21
iv. Payments to Key Management Personnel:		
a. Remuneration (Refer Note 19 on Schedule N):		
Mr. Yash Mahajan	206.41	128.44
Mr. Y. Watanabe (w.e.f 1 st July, 2009)	104.78	67.95
Mr. K. Nakajima (up to 30 th June, 2009)	–	21.83
Mr. R.P. Sehgal (w.e.f. 1 st June, 2010)	97.09	–
	As at 31.03.2011	As at 31.03.2010
b. Director's Remuneration Payable	188.55	67.12

7. **Earning Per Share (EPS):**

	31-03-2011	31-03-2010
Profit attributable to equity shareholders (Rs. in lacs)	3,655.73	2,146.13
Weighted average number of equity shares outstanding during the year. [excluding 13,300 forfeited equity shares (Previous Year 13,300)]	14,471,646	11,040,751
Weighted average number of equity shares outstanding during last year [excluding 13,300 forfeited equity shares (Previous Year 13,300)] for Restated Basic/Diluted Earning Per Share		
Basic/Diluted Earning Per Share (Rs.)	25.26	19.44
Restated Basic/Diluted Earning Per Share (Rs.)	–	–
Face Value per share (Rs.)	10.00	10.00

8. In view of Accounting Standard –22 “Accounting for Taxes on Income” , the Company has accounted for deferred tax as follows:

Particulars	Amount (Rs. in lacs)		
	Balance as at 01.04.2010	Expense (Saving) during the year	Balance as at 31.03.2011
A) Deferred Tax Liabilities			
(i) Tax impact of difference between carrying amount of fixed assets in the financial statements and income tax returns	1,456.36	90.12	1,546.48
	[1,147.32]	[309.04]	[1,456.36]
Sub Total (A)	1,456.36	90.12	1,546.48
	[1,147.32]	[309.04]	[1,456.36]
(B) Deferred Tax Assets			
(i) Tax impact of expenses disallowed under section 40(a)(ia) and 43B of the Income Tax Act	408.64	(150.71)	559.35
	[348.82]	[(59.82)]	[408.64]
(ii) Tax impact of expenses charged in the financial statements but allowable as deductions in future years under income tax.	230.04	43.95	186.09
	[218.49]	[(11.55)]	[230.04]
(iii) Tax impact of loss as per normal provisions of Income Tax Act, 1961	200.64	200.64	–
	[859.97]	[659.33]	[200.64]
Sub Total (B)	839.32	93.88	745.44
	[1427.28]	[587.96]	[839.32]
Deferred Tax Assets/(Liabilities)(B-A)	(617.04)	184.00	(801.04)
	[279.96]	[897.00]	[617.04]

The Deferred Tax expense (net) for the current year aggregating to Rs. 184 lacs (Previous year Rs. 897 lacs) is debited to Profit & Loss Account.

Note: Figures shown in parenthesis [] relate to previous year.

9. **Auditors’ Remuneration * :**

	2010-2011 Rs. In lacs	2009-2010 Rs. in lacs
Statutory Audit & Limited Reviews	32.50	32.50
Tax Audit Fee	6.00	6.00
Other Audit Services / Certification	1.50	31.50
Reimbursement of Out of Pocket Expenses	0.98	1.72
	40.98	71.72

*Excluding Service Tax

10. **Information with regard to Licensed Capacity, Installed Capacity*, Production, Sales and Stocks:**

a. Capacities

	Unit of Measurement	Installed Capacity (per annum)		Licensed Capacity (per annum)	
		31.03.2011	31.03.2010	31.3.2011	31.3.2010
On-road automobiles (having four or more wheels such as light, medium and heavy commercial vehicles)	Nos.	18,000*	18,000*	Not Applicable	Not Applicable

* On double shift basis as certified by the management and relied upon by auditors being technical matter. Includes production for internal use.

b. Production, Sales and Stocks of Finished Goods:

	2010-2011		2009-2010	
	Qty.(Nos.)	Rs. In lacs	Qty.(Nos.)	Rs. In lacs
VEHICLES				
Opening Stock	1,025	6,700.61	801	5,655.03
Production	12,891*	—	10,361*	—
Sales	12,870**	91,484.73	10,134**	72,317.20
Vehicles Capitalised	9	—	1	—
Vehicle Scrapped	—	—	2	—
Closing Stock	1,037***	7,525.34	1,025***	6,700.61

*Includes Nil (Previous Year 2 buses) produced for test run.

**Includes Nil (Previous Year 1 bus) sold during test run which is netted off from assets capitalised.

*** Includes 8 buses (Previous Year 8 buses) produced for test run.

	2010-2011 (Rs. in lacs)	2009-2010 (Rs. in lacs)
SPARES		
Opening Stock	527.77	503.81
Purchases	3,370.82	2,662.92
Sales	5,792.79	5,207.15
Closing Stock	932.05	527.77

Note: It is not possible to furnish quantitative information in respect of spares in view of large number of items of varied nature.

11. **Raw Materials & Components Consumed:**

	2010-2011		2009-2010	
	Qty. (Nos.)	Rs. In lacs	Qty. (Nos.)	Rs. in lacs
Tyres, Tube & Rims	258,462	5,794.74	207,887	3,839.11
Cargo Boxes	3,161	1,357.85	2,359	1,071.64
Batteries	13,357	364.42	10,647	253.54
Rear Axle	12,838	1,865.43	10,338	1,226.29
Cylinder Block	12,791	1,881.43	10,375	1,523.22
Others		57,691.80		47,110.94
Total		68,955.67		55,024.74

i) In view of varied nature of large number of items, it is not possible to furnish quantitative information on components.

- ii) The figure of others is a balancing figure based on total consumption shown in Schedule J and includes adjustments for excess/shortage found on physical verification.
- iii) Quantities and values of all items represent issues from stores made during the year.

12. Value of imported and indigenous Raw Materials & Components, Stores & Spares consumed and percentage of each to total consumption:

	2010-2011		2009-2010	
	%	Rs. In lacs	%	Rs. In lacs
a. Raw Materials & Components:				
Imported	3.83	2,640.55	4.20	2,312.90
Indigenous	96.17	66,315.12	95.80	52,711.84
	<u>100.00</u>	<u>68,955.67</u>	<u>100.00</u>	<u>55,024.74</u>
b. Stores & Spares:				
Imported	9.47	14.31	1.92	1.63
Indigenous	90.53	136.82	98.08	83.30
	<u>100.00</u>	<u>151.13</u>	<u>100.00</u>	<u>84.93</u>

13. C.I.F. Value of Imports:

	2010-2011 (Rs. in lacs)	2009-2010 (Rs. in lacs)
Raw Materials & Components	4,073.39	1,675.15
Spares & Stores (Including Capital Spares)	323.40	21.08
Capital Goods	59.99	31.21
	<u>4,456.78</u>	<u>1,727.44</u>

14. Earnings in Foreign Currency:

	2010-2011		2009-2010	
	Nos.	Rs. In lacs	Nos.	Rs. In lacs
Exports including Deemed Exports of Vehicles at FOB Value	637	3,081.75	425	1,979.12
Export of Spare Parts		81.81		81.76
		<u>3,163.56</u>		<u>2,060.88</u>

15. Expenditure in Foreign Currency (on payment basis - net of tax):

	2010-2011 Rs. In lacs	2009-2010 Rs. In lacs
Travelling	22.53	1.38
Know-how	6.84	11.79
Discounting Charges	14.89	6.01
Technician Fees	—	31.96
	<u>44.26</u>	<u>51.14</u>

16. There are no Micro and Small Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days as at 31st March, 2011. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined on the basis of information available with the Company.

17. The Company has a system for maintenance of information and documents as required by the transfer pricing regulation under Sections 92-92F of the Income Tax Act, 1961, as applicable. Since the law requires existence of such information

and documentation to be contemporaneous in nature, the Company also updates its information and documentation for international transactions entered into with the associated enterprises during the financial year. 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 tax expense and that of provision for taxation.

18. The Company has taken certain premises under operating lease arrangements. The lease period varies from 1 to 15 years with the option to extend the same with mutual consent. The total lease rental recognized as expense aggregate to Rs.162.35 lacs (Previous Year Rs.151.73 lacs).

Future minimum lease payments under non-cancellable operating leases:

	2010-2011	2009-2010
	<u>Rs. In lacs</u>	<u>Rs. In lacs</u>
Not later than one year	36.40	1.15
Later than one year and not later than five years.	0.30	—

19. Managerial Remuneration * (Refer Note 6 on Schedule N) :

	2010-2011	2009-2010
	<u>Rs. In lacs</u>	<u>Rs. In lacs</u>
1. Remuneration:		
i) Salaries and Allowances	211.20	120.00
ii) Commission	142.58	67.12
iii) Contribution to Provident & Other Funds	36.48	21.96
iv) Other Perquisites	18.02	9.14
	<u>408.28</u>	<u>218.22</u>

2. Computation of net profit in accordance with Sec. 349 of the Companies Act, 1956 for the calculation of commission

	2010-2011	2009-2010
	<u>Rs. In lacs</u>	<u>Rs. In lacs</u>
Profit Before Tax	5,137.98	3,043.13
Add Depreciation charged in accounts	891.12	864.15
Provision for doubtful debts	106.90	77.75
Profit on sale of assets computed as per Section 350	1.11	4.01
Director's remuneration	408.28	218.22
Director's sitting fee	12.80	14.10
Assets written off	0.30	2.39
	<u>6,558.49</u>	<u>4,223.75</u>
Less Depreciation as per section 350 of the Companies Act, 1956	873.18	833.94
Book profit on sale of fixed assets	1.49	5.58
Provision for doubtful debts written back	52.53	28.04
Debts written off against the respective provisions and non debited to profit and loss account	173.42	—
	<u>5,457.87</u>	<u>3,356.19</u>
Maximum Commission to Managing Director @ 1%	54.58	33.56
Maximum Commission to Mr. K. Nakajima, Whole-time Director @ 1% (Within the overall limit of Rs. 12 lacs being 100% of annual salary as approved by Members) (up to 30 th June, 2009).	—	8.39
Maximum Commission to Mr. Y. Watanabe, Whole-time Director @ 1% (Within the overall limit of Rs. 48 lacs (Previous year Rs. 36 lacs) being 100% of annual salary as approved by Members) (w.e.f 1 st July, 2009)	48.00	25.17
Maximum Commission to Mr. R.P. Sehgal, Whole-time Director @ 1% (Within the overall limit of Rs. 40 lacs (Previous year Rs. Nil) being 100% of annual salary as approved by Members) (w.e.f. 1 st June, 2010)	40.00	—

***Notes:**

- i. Contribution to Provident and other funds does not include contribution towards gratuity & leave encashment, as these are actuarially valued for the Company as a whole.
- ii. Other Perquisites does not include premium in respect of personal accident insurance, as the separate figures for the directors are not available.

20. Disclosures as per AS - 15 (Revised) 'Employee Benefits' for year ended March 31, 2011:

I Defined Contribution Plans:

Provident Fund & Superannuation

During the year the company has recognised the following amounts in the Profit and Loss Account :-

	2010-2011	2009-2010
	Rs. in lacs	Rs. in lacs
Employers Contribution to Provident Fund & Pension Fund*	333.84	249.53
Superannuation*	58.90	45.61

II State Plans

Employees State Insurance Scheme

During the year the company has recognised the following amounts in the Profit and Loss Account :-

	2010-2011	2009-2010
	Rs. in lacs	Rs. in lacs
Employees State Insurance Scheme*	15.75	11.00

*Included in Contribution to Provident and Other Funds in Schedule K

III Defined Benefit Plans

a) Contribution to Gratuity Fund – Life Insurance Corporation of India

b) Leave Encashment

Actuarial Assumptions	2010-2011		2009-2010	
	Leave	Gratuity	Leave	Gratuity
	Encashment	(Unfunded)	Encashment	(Unfunded)
Mortality Table	LIC 1994-96	LIC 1994-96	LIC 1994-96	LIC 1994-96
	Ultimate	Ultimate	Ultimate	Ultimate
Attrition Rate	5.00% p.a	5.00% p.a	5.00% p.a	5.00% p.a
Imputed Rate of Interest	8.50% p.a	8.50% p.a	8.50% p.a	8.50% p.a
Salary Rise	6.00% p.a	6.00% p.a	6.00% p.a	6.00% p.a
Return on Plan Assets	N.A.	9.25% p.a	N.A.	9.25% p.a
Remaining Working Life	21.43 Years	19.25 Years	22.05 Years	19.72 Years

Expenses recognised in the Profit and Loss Account *

			(Rs. in lacs)
Current Service Cost	114.18	80.00	288.17
Interest Cost	24.36	68.40	20.57
Expected return on plan assets	—	(22.86)	—
Net actuarial loss/ (gain) recognized	69.28	194.91	(172.14)
Total Expenses recognised in the Profit & Loss Account	207.82	320.45	136.60

* Included in Salaries, Wages and Bonus & Contribution to Provident and Other Funds in Schedule K.

Change in the present value of obligation

Defined benefit obligation as at beginning of year	339.35	825.48	281.34	677.36
Service cost	114.18	80.00	288.17	56.94
Interest cost	24.36	68.40	20.57	55.60
Actuarial loss/(gain)	69.28	195.22	(172.14)	81.98
Benefits paid	(105.61)	(41.50)	(78.59)	(46.40)
Defined benefit obligation as at end of year	441.56	1127.60	339.35	825.48

Gratuity (Funded)

	2007-08	2008-09	2009-10	2010-11
Change in fair value of plan				
Fair value of plan assets as at beginning of year	208.77	222.84	212.46	232.18
Expected return on plan assets	19.06	19.37	19.65	22.86
Contributions by employer	37.60	56.41	46.29	71.30
Actuarial (loss)/gain	0.52	(0.55)	0.18	0.31
Benefits paid	(43.11)	(85.61)	(46.40)	(41.50)
Fair value of plan assets as at end of year	222.84	212.46	232.18	285.15

Reconciliation of present value of defined benefit obligation and the fair value of assets

Present value of defined benefit obligation as at end of year	560.65	677.36	825.48	1127.60
Fair value of Plan Assets as at end of year funded status	222.84	212.46	232.18	285.15
Present value of unfunded obligation as at end of year	337.81	464.90	593.30	842.45

Leave Encashment (Unfunded)

Defined benefit obligation as at end of year	254.20	281.34	339.35	441.56
--	--------	--------	--------	--------

The major categories of plan assets as a percentage of total plan assets as at March 31, 2011 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.

Short term employment benefits

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

The Company expects to contribute approximately Rs. 86.94 lacs to the Gratuity Fund during financial year 2011-12.

21. Research and Development Costs :

	<u>2010-2011</u> <u>Rs. In lacs</u>	<u>2009-2010</u> <u>Rs. in lacs</u>
a. Revenue Expenditure		
Salaries & Wages	281.07	260.33
Contribution to Provident and other funds	14.91	13.13
Materials	78.41	67.20
Testing & Analytical	97.07	99.21
Travelling	37.11	18.08
Membership & Subscription	10.08	14.16
Software	7.28	43.05
Telephone, Insurance, AMC, Magazines, Freight & Others	38.76	22.81
Total	<u>564.69</u>	<u>537.97</u>
b. Capital Expenditure		
– Capitalised	86.54	111.56
– Work-in-Progress	58.69	76.91

22. Current tax expense comprise of Rs. Nil (Previous year Rs. 537.18 lacs), charge for Minimum Alternate Tax under section 115JB of the Income Tax Act, 1961. The Company has recognized MAT Credit Entitlement of Rs. Nil (Previous year Rs. 537.18 lacs) grouped under Loans and Advances (Schedule G), in accordance with Guidance Note issued by the Institute of Chartered Accountants of India. During the year, the Company has utilized Rs. 192.00 lacs by way of setting it off against the tax liability arising under the normal provisions of Income Tax. Consequently, the amount of Rs. 192.00 lacs has been transferred from MAT Credit Entitlement to Advance taxes under head Loans & Advances.

23. Detail in respect of dividend remitted during the year in foreign currency :

- Number of Non-resident Shareholders: 1 (Previous Year 1)
- Number of Shares held as on record date: 578,866 (Previous Year 209,000)
- Amount remitted during the year: Rs. 2,315,464 (Previous Year Rs. 313,500)
- Financial Year to which dividend pertains : 2009-10 (Previous year 2008-09)

24. Miscellaneous expenses include assets written off during the year Rs. 0.30 lacs (Previous year Rs. 2.39 lacs).

25. 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 26th March, 2010. The net proceeds (Net of issue expenses Rs. 118.52 lacs) of the Rights issue were utilized for repayment of Allahabad Bank Term Loan Rs. 5,000.00 lacs and for general corporate purposes Rs. 1,051.37 lacs by March 31st, 2010. Out of balance proceeds of Rs. 1,800.00 lacs earmarked for financing the expansion project, Rs. 163.96 lacs have been utilized for ongoing Phase I of expansion project during the current year and the balance Rs. 1,636.04 lacs are placed with a scheduled commercial bank as fixed deposits as per terms of Letter of Offer (which is included in Fixed Deposit Balances under Cash and Bank Balances - Schedule G).

26. Pursuant to Clause IX(B) of Section 227 (4A) of the Companies Act, 1956, the details of disputed dues as on March 31, 2011 are as follows:

Name of the statute	Particulars	Amount (Rs.)	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.	Rs.218.23 lacs (Rs.87.30 lacs deposited by the Company)	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.	Rs.2.10 lacs (Surety bond and Rs. 0.53 lacs deposited by the Company)	March, 2008	Deputy Excise and Taxation Commissioner cum Joint Director Enforcement, Patiala.
Punjab VAT Act, 2005	Vehicles impounded & demand raised due to discrepancy in / inadequacy of documents.	Rs. 1.57 Lacs (Surety bond and Rs. 0.39 lacs deposited by the Company)	August, 2007	Deputy Excise and Taxation Commissioner cum Joint Director Enforcement, Patiala.
Gujarat Sales Tax Act	Demand raised due to discrepancy in documents.	Rs. 11.78 lacs (Rs. 2.37 lacs deposited by the Company)	2001-02	Deputy Commissioner (Appeals), Gujarat
Uttar Pradesh Trade Tax Act, 1948	Demand raised against due to sales tax rate difference	Rs.15.94 lacs (Rs.7.19 lacs deposited by the Company)	1993-94	Additional Commissioner (Appeals), Lucknow
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.	Rs 4.25 lacs (Rs. 2.12 lacs deposited by the Company, includes penalty Rs. 2.12 lacs)	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.	Rs. 9.92 lacs (Rs. 1.30 lacs deposited by the Company, includes penalty of Rs 6.62 lacs)	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.	Rs. 3.19 lacs (includes penalty amounting to Rs 0.30 lacs)	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.	Rs. 5.70 lacs (inclusive of penalty Rs. 2.85 lacs)	2005-06	Commissioner (Appeals)
Finance Act, 1994	Denial of utilization of service tax credit for the payment of service tax liability.	Rs. 5.70 lacs (inclusive of penalty Rs. 2.85 lacs)	2005-06	Custom Excise and Service Tax Appellate Tribunal (CESTAT)
Finance Act, 1994	Denial of utilization of service tax credit for the payment of service tax liability in relation to Royalty received on account of use of brand name.	Rs. 19.61 lacs (inclusive of penalty Rs. 9.81 lacs)	2007-08	Commissioner (Appeals)
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.	Rs. 1.94 lacs	October-2004 to March-2005	The 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	Rs. 1.89 lacs	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	Rs. 5.79 lacs (includes penalty of Rs 2.90 lacs)	April-2005 to January-2006	Custom Excise and Service Tax Appellate Tribunal (CESTAT)
Central Excise Act, 1944	Demand raised for Service Tax Credit taken on Canteen services where part of cost of food recovered from employees.	Rs. 4.26 lacs (includes penalty of Rs 2.13 lacs)	April-2006 to December-2008	Commissioner (Appeals)
Central Excise Act, 1944	Demand raised for Service Tax Credit taken on Canteen services provided to employees where cost of food borne by the Company.	Rs. 6.72 lacs (includes penalty of Rs. 3.36 lacs)	April-2006 to December-2008	Commissioner (Appeals)

Central Excise 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.	Rs. 3.98 lacs (includes penalty of Rs. 1.99lacs)	January-2009 to October-2009	Commissioner (Appeals)
Central Excise Act, 1944	Demand raised for Service Tax Credit taken on Insurance cover of employees.	Rs. 1.88 lacs (includes penalty of Rs. 0.03 lacs)	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.	Rs. 3.62 lacs (includes penalty of Rs. 1.81 lacs)	April-2008 to June-2009	Custom Excise and Service Tax Appellate Tribunal (CESTAT)
Central Excise Act, 1944	Demand raised for Automobile Cess on Motor Vehicles cleared for road testing.	Rs. 4.30 lacs (includes penalty of Rs. 2.15 lacs)	March-2008 to August 2009	Commissioner (Appeals)
Central Excise Act, 1944	Review of service tax refund allowed earlier by the jurisdictional Excise authorities in relation to Service Tax wrongly paid on procurement of capital goods.	Rs. 8.65 lacs	November-2008	Commissioner (Appeals)
Central Excise Act, 1944	Imposition of penalty in relation to non compliance of Rule 10A by Body Builder.	Rs. 25 lacs	December-2008 to July-2009	Custom Excise and Service Tax Appellate Tribunal (CESTAT)
Income Tax Act, 1961	Disallowance of provision for bad and doubtful debts	Rs.19.01 lacs	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	Rs. 28.51 lacs	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 u/s 145(A) and weighted R&D deduction.	Rs. 101.55 lacs (Rs. 62.00 lacs deposited by the Company)	2004-05	Income Tax Appellate Tribunal
Income Tax Act, 1961	Demand raised on disallowance of expenses, loading of statutory dues on Work-in-Progress u/s 145(A) and weighted R&D deduction.	Rs. 94.79 lacs	2005-06	Income Tax Appellate Tribunal
Income Tax Act, 1961	Demand raised on disallowance of expenses, loading of statutory dues on Work-in-Progress u/s 145(A) and weighted R&D deduction.	Rs 137.10 lacs	2006-07	Commissioner of Income Tax (Appeals)

27. 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 3rd January, 2011.

28. Particulars of the foreign currency exposures that are not hedged by a derivative instrument or otherwise :

Particulars	Currency Domination	As at March 31, 2011		As at March 31, 2010	
		Foreign Currency Amount in lacs	Amount in Rupees in Lacs	Foreign Currency Amount in Lacs	Amount in Rupees in Lacs
Current Liabilities	Japanese Yen	2,648.90	1,449.61	1,957.30	956.11
Current Liabilities	Euro	0.01	0.80	0.18	11.24
Debtors	USD	5.7	254.16	—	—

29. Previous year figures have been regrouped / reclassified wherever considered necessary to conform to current year's classification.

For Price Waterhouse
Firm Registration Number : 301112 E
Chartered Accountants

V. NIJHAWAN
Partner
Membership Number : F87228
Place of Signature : New Delhi
Date : May 16, 2011

GOPAL BANSAL
Executive Director - Finance
& Company Secretary

FOR AND ON BEHALF OF THE BOARD

S.K. TUTEJA
Chairman

YASH MAHAJAN
Managing Director

New Delhi, May 16, 2011

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

1. REGISTRATION DETAIL:

Registration No.	5516
State Code	16
Balance Sheet Date	31 st March, 2011

2. CAPITAL RAISED DURING THE YEAR:

	2011 Rs. In Lacs	2010 Rs. In Lacs
Public Issue	Nil	Nil
Bonus Issue	Nil	Nil
Rights Issue	Nil	398.50
Private Placement	Nil	Nil

3. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS :

Total Liabilities	30,579.80	28,053.46
Total Assets	30,579.80	28,053.46

SOURCES OF FUNDS

Paid - up Capital	1,447.88	1,447.88
Reserves and Surplus	19,830.88	17,525.17
Secured Loans	—	463.37
Unsecured Loans	8,500.00	8,000.00
Deferred Tax Liabilities	801.04	617.04
	30,579.80	28,053.46

APPLICATION OF FUNDS

Net Fixed Assets	13,535.29	12,508.39
Net Current Assets	17,044.51	15,545.07
Investments	Nil	Nil
	30,579.80	28,053.46

4. PERFORMANCE OF COMPANY :

Turnover	89,300.48	72,222.95
Total Expenditure	84,162.50	69,179.82
Profit/(Loss) before Tax	5,137.98	3,043.13
Profit/(Loss) after Tax	3,655.73	2,146.13
Earning Per Share (Rs.)	25.26	19.44
Dividend Rate	80%	40%

5. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS OF COMPANY (As per monetary terms)

Item Code No.(ITC CODE)	374201000
Product Description	COMMERCIAL VEHICLES

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

1. We have audited the attached Balance Sheet of SML ISUZU LIMITED (the "Company") as at March 31, 2011, and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. 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.
2. We conducted our audit in accordance with the 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 statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the "Order"), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
 - (e) On the basis of written representations received from the directors, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
 - (f) *Attention is invited to non provision of Rs.488 lacs in respect of MODVAT credit receivable as explained in Note 2 of Schedule N. Had the said amount been provided, loans and advances and profit for the year would have been lower by the corresponding amount.*
The matter referred above was also the subject matter of qualification in our audit report on the financial statements for the year ended March 31, 2010.
 - (g) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give, in the prescribed manner, the information required by the Act, and *subject to our comments in para (f) above*, 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 affairs of the company as at March 31, 2011;
 - (ii) in the case of the Profit and Loss Account, 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 Price Waterhouse
Firm Registration Number: 301112 E
Chartered Accountants

V.Nijhawan
Partner
Membership Number: F87228

New Delhi
May 16, 2011

ANNEXURE TO AUDITORS' REPORT

Referred to in paragraph 3 of the Auditors' Report of even date to the members of SML ISUZU Limited (formerly Swaraj Mazda Limited) on the financial statements for the year ended March 31, 2011

1. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.
(b) The fixed assets are physically verified by the Management according to a phased programme designed to cover all the items over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the Management during the year and no material discrepancies between the book records and the physical inventory have been noticed.
(c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the Company during the year.
2. (a) The inventory (excluding stocks with third parties) has been physically verified by the Management during the year. In respect of inventory lying with third parties, these have substantially been confirmed by them. In our opinion, the frequency of verification is reasonable.
(b) In our opinion, the procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
(c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
3. (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act.
(b) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act.
4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
5. (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.
(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees Five Lakhs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
7. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
8. We have broadly reviewed the books of account maintained by the Company in respect of products where, pursuant to the Rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub-section (1) of Section 209 of the Act, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
9. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, except dues in respect of income-tax where there have been delays during the year, though the delay in deposit have not been serious, the Company is regular in depositing undisputed statutory dues including investor

education and protection fund, employees' state insurance, wealth tax, service tax, customs duty, excise duty and other material statutory dues as applicable, with the appropriate authorities. The extent of the arrears of statutory dues outstanding as at March 31, 2011, for a period of more than six months from the date they became payable are as follows:

Name of the statute	Nature of dues	Amount (Rs.)	Period to which the amount relates	Due date	Date of Payment
Income Tax Act, 1961	Withholding Tax on Royalty	45,000	April-June 2010	July 07, 2010	May 05, 2011

- (b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of dues of income-tax, sales-tax, wealth-tax, service-tax, customs duty, excise duty and cess as at March 31, 2011 which have not been deposited on account of a dispute are as follows:

Name of the statute	Nature of dues	Amount (Rs. lacs)	Amount Deposited under Protest (Rs. Lacs)	Period to which the amount relates	Forum where the dispute is pending
Central Sales Tax Act, 1956	Sales Tax	218.23	87.30	2000-01	Sales Tax Appellate Tribunal, Chandigarh.
Punjab VAT Act, 2005	Penalty	3.67	0.92	2007-08	Deputy Excise and Taxation Commissioner cum Joint Director Enforcement, Patiala.
Gujrat Sales Tax Act	Penalty	11.78	2.37 (Rs. 9.25 lacs has been given as bank guarantee by the company)	2001-02	Deputy Commissioner (Appeals), Gujarat.
Uttar Pradesh Trade Tax Act, 1948	Sales Tax	15.94	7.19	1993-94	Additional Commissioner (Appeals), Lucknow.
Central Excise Act, 1944	Excise Duty Interest and Penalty	81.17	2.12	2000-01 to 2008-09	Commissioner (Appeals)/ Custom Excise and Service Tax Appellate Tribunal (CESTAT)/ Supreme Court.
Income Tax Act, 1961	Income Tax, Interest and Penalty	380.96	62.00	1986-87, 1991-92 2004-05, 2005-06 2006-07	High Court of Punjab & Haryana/Income Tax Appellate Tribunal/ Commissioner of Income Tax (Appeals).
Finance Act, 1994	Service Tax and penalty	35.23	1.30	2002-2008	Commissioner (Appeals)/ Custom Excise and Service Tax Appellate Tribunal (CESTAT)

For detailed listing, refer Note 26 on Schedule N

10. The Company has no accumulated losses as at March 31, 2011 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
11. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.
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. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund/ societies are not applicable to the Company.
14. In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
15. In our opinion and 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 during the year.
16. The Company has not obtained any term loans.
17. On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
19. The Company has not issued any debentures during the year and there are no debentures outstanding as at the year end.
20. The Company has not raised any money by public issues during the year. The Management has disclosed the end use of monies during the year, out of public issue raised in the earlier year (Refer Note 25 of Schedule N) which has been verified by us.
21. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year except that we have been informed by the management of certain instances of theft of components from stores during the year under audit. Loss due to theft amounting to Rs. 7.95 lacs (approx) has been reported to investigating agencies and the Company is conducting its own assessment. Pending the outcome of these actions the loss has been adjusted in the books of account and further adjustments, if any, will be made once the investigations are completed.

For Price Waterhouse
Firm Registration Number: 301112 E
Chartered Accountants

V.Nijhawan
Partner
Membership Number: F87228

New Delhi
May 26, 2011

AUDITORS' CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE

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 (Formerly Swaraj Mazda Limited), for the year ended March 31, 2011, as stipulated in Clause 49 of the Listing Agreement(s) of the said Company with Stock Exchange(s) in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination was carried out in accordance with the Guidance Note on Certification of Corporate Governance (as stipulated in Clause 49 of the Listing Agreement), issued by the Institute of Chartered Accountants of India and 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(s).

We 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 Price Waterhouse
Firm Registration Number: 301112E
Chartered Accountants

V. Nijhawan
Partner
Membership Number: F87228

Place: New Delhi
Dated: June 30, 2011

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

I, Yash Mahajan, Managing Director of SML Isuzu Limited (Formerly Swaraj Mazda Limited) declare 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, 2011

Place: New Delhi
Dated: May 16, 2011

(Yash Mahajan)
Managing Director

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Twenty Seventh Annual General Meeting of the Company will be held at its Registered Office at Village Asron, Distt. Shahid Bhagat Singh Nagar, (Nawanshahar) – 144533 (Punjab) on 6th August, 2011 (Saturday) at 1:00 p.m. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2011 and Profit & Loss Account for the year ended 31st March, 2011 together with the Directors' Report and Auditors' Report thereon.
2. To declare dividend.
3. To appoint a Director in place of Mr. P. K. Nanda who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Pankaj Bajaj who retires by rotation and, being eligible, offers himself for re-appointment.
5. 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:

6. As an Ordinary Resolution

RESOLVED THAT the vacancy caused by the retirement of Mr. Steven Enderby, who retires by rotation at the ensuing Annual General Meeting and who has expressed his unwillingness to be re-appointed as Director, be not filled up at this meeting and may be filled up by the Board of Directors at a later date.

7. As an Ordinary Resolution:

RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310 & 311, and other applicable provisions, if any, of the Companies Act, 1956 and subject to requisite approvals of shareholders of the Company in the General Meeting and of the Central Government, if required, Mr. Yutaka Watanabe, presently Whole time Director of the Company, be and is hereby appointed

as Managing Director and Chief Executive Officer of the Company for a period of 5 Years with effect from 1st June, 2011, on the remuneration as detailed below:

A. SALARY

Rs. 4,00,000/- per month.

Salary to be increased within the range of Rs. 4,00,000/- per month to Rs. 8,00,000/- per month during the period of appointment, in such increments, as may be decided by the Board of Directors.

B. COMMISSION

1% of net profits subject to a maximum of 100% of annual salary.

C. PERQUISITES AND ALLOWANCES

- i) Fully furnished accommodation.
- ii) Medical reimbursement for self and family.
- iii) Provision of a car with driver and telephone at residence.

D. RETIRAL BENEFITS

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

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

E. MINIMUM REMUNERATION

Notwithstanding anything to the contrary herein contained, where in any financial year during the currency of the tenure of Mr. Yutaka Watanabe, Whole-time Director, the Company has no profits or profits are inadequate, the remuneration by way of salary, allowances and perquisites payable to him shall be same as mentioned herein in Part A, Part B and Part C in addition to those mentioned in Part D.

FURTHER RESOLVED THAT for the purpose of giving effect to the forgoing Resolution, the Board of Directors of the Company (hereinafter referred to as the 'Board' which term shall be deemed to include any duly authorized committee thereof, for the time being exercising the powers conferred on the Board by this Resolution) be authorized to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary, proper or desirable and to settle any question, difficulties or doubts that may arise in this regard, or as may be otherwise considered by it to be in the best interest of the Company.

8. As an Ordinary Resolution:

“RESOLVED THAT pursuant to Section 61 and all other applicable provisions of the Companies Act, 1956, as amended, the Listing Agreements entered into by the Company with the National Stock Exchange of India Limited and the Bombay Stock Exchange Limited, provisions of other applicable laws, rules and regulations, the Memorandum of Association and Articles of Association of the Company, the consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as ‘the Board’ which terms shall be deemed to include any committee including committee of the Board) to vary the terms referred to in the Company’s Letter of Offer dated 24th February, 2010 issued in respect of Rights Issue of 39,84,946 equity shares of Rs.10 each, at a premium of Rs. 190 per equity share made to the shareholders of the Company on Rights Basis, by extending the implementation time from 31st March, 2011, as stated in the aforesaid Letter of Offer for spending Rs. 1800 lacs earmarked for the Company’s Expansion Project out of Net Proceeds from the Rights Issue, to 31st March, 2013 and by modifying, deleting or adding any of the items of equipments / plant / machinery / utilities / buildings proposed to be procured out of the unutilized amount of Rs.1800 lacs earmarked for the Expansion Project.”

“RESOLVED FURTHER THAT the Board be and is hereby authorized to do all necessary acts, deeds, matters and things for or in connection with such modifications, take necessary steps in the matter as the Board may in its absolute discretion deem necessary, desirable or expedient and to settle any question that may arise in this regard and incidental thereto, without being required to seek any further consent or approval of the Members or otherwise to the end and intent that the Members shall be deemed to have given their approval thereto expressly by the authority of this resolution.”

“RESOLVED FURTHER THAT the Board of Directors of the Company or such Officer(s)/ Authorised Representative(s) as may be authorized by the Board be and are hereby authorized to file the necessary documents with the concerned authorities, and to do all such acts, deeds, matters and things as may be deemed necessary, proper or expedient for the purpose of giving effect to the above resolution and for matters connected herewith or incidental hereto.”

Regd. Office:
Village Asron
Distt. Shahid Bhagat Singh Nagar (Punjab)

Dated : 30.06.2011

By Order of the Board

(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 15.07.2011 to 26.07.2011 (both days inclusive).
4. Members are requested to bring their copy of Annual Report at the Meeting. 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 6th August, 2011 but within the Statutory time limit, to those Members whose names appear in the Register of Members as on 26th July, 2011. 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 2002-03, to the Investor Education and Protection Fund (IEPF) of the Central Government as required under section 205C of the Companies Act, 1956. Members may please note that if unpaid dividend is not claimed from the Company for seven years from the date when it became due, it shall be transferred to the Investor Education and Protection Fund as stated above and it cannot be claimed from that Fund.

Members who have not encashed their Dividend warrant(s) within the validity period may write to the Company Secretary, SML Isuzu Limited, 204 – 205, Sector 34 A, Chandigarh – 160022, 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 26th July, 2011 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 MCS Limited, New Delhi such folios to enable the Company to consolidate all shareholdings into one folio.
11. Members can avail of the facility of nomination in respect of shares held by them in physical form pursuant to the provisions of Section 109A of the Companies Act, 1956. Members desiring to avail of this facility may send their nomination in the prescribed Form 2B duly filled in to Company's Registrar and Transfer Agents, Messrs MCS Ltd.
12. Members / Proxy holders are requested to produce the Attendance Slip duly completed and signed, for admission to the Meeting Hall.
13. 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. P. K. Nanda is an independent Director on our Board. He holds a degree in commerce from Kanpur University and is a Qualified Chartered Accountant. Mr. Nanda has held several key managerial positions with Multi National Companies, both in India and abroad such as Remington Rand, Philips Electronics and Metal Box. He was appointed as the Chairman and Managing Director of Metal Box India in 1970. He was also the founder president of

the Confederation of Indian Industry (CII) and has also served as a member of committees of Confederation of British Industry and United Kingdom South Africa Trade Association. He was also been a guest lecturer at the International Management Institute, Geneva. He is also a business consultant focusing on international business strategy. Mr. Nanda has over 50 years of experience in the areas such as finance, corporate affairs, international trade and commerce, business strategy. He joined our Board on July, 2006.

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

Mr. Nanda is Chairman of JMG Corporation Limited

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

Name of the Company	Name of Committee
JMG Corporation Ltd.	Shareholders Relation Committee
JMG Corporation Ltd.	Remuneration Committee
JMG Corporation Ltd.	Audit Committee
SML Isuzu Ltd.	Remuneration Committee
SML Isuzu Ltd.	Rights Issue Committee

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

- b) Mr. Pankaj Bajaj is a non-executive Director on our Board. He holds a Bachelor's degree in law from Hemvati Nandan Bahuguna Garhwal University, Uttarakhand (1996) and pursued an executive Management program from University of Maryland in the Year 2000. Mr. Bajaj is a fellow member of the Institute of Chartered Accountants of India (FCA), associate member of the Institute of Company Secretaries of India (ACS) and Associate member of the Institute of Cost and Works Accountants of India (AICWA). He started his career in 1995 with Deloitte Haskins & Sells. He joined Sumitomo Corporation India Private Limited in 1997 as Company Secretary. He currently holds the post of Corporate Officer and Company Secretary and handles diversified corporate department responsibilities for the Company which operates across a spectrum of sectors including Automobiles, Chemicals and Electronics. Mr. Bajaj has over 14 years of experience in areas such as corporate planning, legal and secretarial matters, corporate finance, risk management, taxation and internal controls. He joined our Board on July, 2006.

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

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

Mr. Pankaj Bajaj's appointment would be as a Non-executive Director belonging to the promoter group.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**Item No.6**

Mr. Steven Enderby is a Non-Executive Director on the Board of the Company since January, 2006. He retires by rotation at the ensuing Annual General Meeting of the Company and has expressed his unwillingness to be reappointed. The members of the Board have acceded to his request and propose that the vacancy caused by his retirement be not filled up. While recording its appreciation for the contribution made by him during his tenure, the Board recommends passing of this resolution.

None of the Directors of the Company except Mr. Steven Enderby are interested in the resolution.

Item No. 7

Having regard to Mr. Yash Mahajan's decision to demit the office of Managing Director of the Company with effect from 31st May, 2011, at the Board Meeting held on 16th May, 2011, the Directors decided to appoint Mr. Watanabe, already a Whole-time Director of the Company, as Managing Director and Chief Executive Officer of the Company.

Mr. Y. Watanabe holds a degree in Foreign Study from Sophia University, Japan and joined Sumitomo Corporation in 1975. He has vast experience spread over 34 Years in Sumitomo Corporation. As a Director of the Company and a key member of Sumitomo's core teams for the India Project since 2005 and as a Whole-time Director since 1st July, 2009, Mr. Watanabe has made significant contributions in the progress of the Company. The Board, therefore, recommends passing of resolution in respect of Mr. Watanabe's appointment.

None of the directors of the Company except Mr. Y. Watanabe are interested in the resolution.

Item No. 8

In the year 2010, the Company, through Letter of Offer dated 24th February, 2010, offered 39, 84,946 equity shares of Rs. 10 each for cash at a premium of Rs. 190 per equity shares on Rights Basis to the existing equity shareholders of the Company in the ratio of 19 Equity Shares for every 50 Equity Shares held on the Record Date of 10th February, 2010 to raise Rs.7847.14 lacs (Net of Rights Issue Expenses) for the following objects :.

Description	Amount (Rupees in lacs)
Financing the Expansion Project	1800.00
Repayment of loan taken from Allahabad Bank in relation to the Expansion Project	5000.00
General Corporate purpose	1047.14
TOTAL	7847.14

Actual net proceeds from the Rights Issue were Rs. 7851.37 lacs against estimated amount of Rs. 7847.14 lacs on account of savings in the Rights Issue expenses.

Members were duly informed in the last Report of Directors that out of the aforesaid Rights Issue proceeds, a sum of Rs. 6051.37 lacs was utilized towards specified objects in March, 2010 – Rs.5000 lacs towards repayment of Allahabad Bank loan, Rs. 1051.37 lacs for general corporate purposes. The balance sum of Rs.1800 lacs earmarked for financing the Expansion Project, pending utilization, was placed in a separate bank account with a commercial bank. As per the Rights Issue Letter of Offer, the Schedule of Implementation in respect of construction of buildings, procurement of plant & machinery, utilities etc. from the aforesaid Rs.1800 lacs for both the Vehicle Manufacturing Facility II and the Bus Body Facility was 31st March, 2011.

Members may recall that Company had embarked upon its Expansion Project by setting up facilities with a view to expand its product portfolio aimed to capitalize on the emerging business opportunities in the Indian CV sector and to enable it to foray into the manufacture of air-conditioned luxury buses and coaches targeted at the tourism industry and long distance inter-city travel.

However, as the demand for the Ultra Luxury buses did not rise to the expected levels and market penetration of our products proved difficult, spending was restricted to bare minimum and, as on the date of this Explanatory Statement, only a sum of Rs.321.70 lacs has been utilized out of Rs. 1800 lacs earmarked for the Expansion Project.

Taking note of the shift that had already taken place in the passenger transportation segment as also considering the new trends, the Expansion Project has been reworked to meet the emerging challenges effectively through manufacture of all sheet metal low-cost wide body buses, currently under development using technology purchased from a Chinese Company – Zhong-Tong Bus Company Ltd., in different wheelbase versions and overall length between 9.4 to 10.8 meters and with seating capacity between 37 to 42 passengers. This would involve deletion/addition of some items of equipment / plant / machinery / buildings etc. and is to be met from the unutilized amount of Rs. 1478.30 lacs of the Rights Issue proceeds. Furthermore, it is assessed that this sum will be so utilized latest by 31st March, 2013.

The provisions of the Companies Act, 1956, require the Company to obtain the approval of the members for any variation in the utilization of the Issue Proceeds and the schedule of implementation as referred to in the Letter of Offer. Hence, the Board of Directors has proposed the said Resolution.

The proposed resolution, as set out in the accompanying notice, is in the best interest of the Company and Board recommends the same for the approval of Members.

None of the Directors of the Company is, in any way, concerned or interested in the said resolution.

NOTES

ATTENDANCE SLIP**SML ISUZU LIMITED**

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

Annual General Meeting - 6th August, 2011

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

NAME OF THE SHAREHOLDER/PROXY

Folio No.

ADDRESS

DP ID*

No. of Shares held :

Client ID*

I hereby record my presence at the 27th ANNUAL GENERAL MEETING of the Company at its Regd. Office & Works at Village Asron, Distt. Shahid Bhagat Singh Nagar (Nawanshahar), Punjab - 144 533 on Saturday, the 6th August, 2011 at 1.00 P.M.

*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 27th ANNUAL GENERAL MEETING of the Company to be held on Saturday, the 6th August, 2011 at 1.00 P.M. and at any adjournment thereof.

Signed this day of 2011 by the said.

*To be used for shares held in
electronic form.

Affix
Revenue
Stamp

Signature

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