

## ANNUAL REPORT 1999



# Sona

**SONA KOYO STEERING SYSTEMS LTD.****Board of Directors**

Dr. Surinder Kapur	Chairman & Managing Director
Mr. A.R. Halasyam	Nominee of Maruti Udyog Ltd.
Mr. Kiyoshi Takeda	Nominee of Koyo Seiko Co., Ltd.
Mr. T. Masuda	Resident Technical Director (Nominee of Koyo Seiko Co., Ltd.)
Mr. Jug Mohan Kapur	
Mr. B.L. Passi	
Mr. Lalit Suri	
Mr. Asit Chandmal	
Mr. C.R. Amin	
Mr. Chander Uday Singh	
Mr. P.V. Prabhu Parriker	Executive Director (Operations)
Mr. K.M. Deshmukh	Director (Technical)

**Company Secretary**

Mr. Sudhir Chopra

**Registered Office**

Indraprakash (12th Floor)  
21, Barakhamba Road  
New Delhi-110 001

**Liaison Office**

2nd Floor, Piramal Mansion  
235, D.N. Road, Fort  
Mumbai - 400 001

**Works**

- 38/6, NH-8,  
Delhi-Jaipur Road  
Gurgaon-122 001 (Haryana)
- P.O. Box 14  
Chennai-Bangalore Highway  
Sriperumbudur  
Distt. Chinglepet  
Tamilnadu - 602 105

**Auditors**

M/s. S.P. Puri & Co.  
Chartered Accountants  
4/18, Asaf Ali Road  
New Delhi - 110 002

**Registrar & Transfer Agents**

MCS Limited  
Sri Venkatesh Bhawan  
212-A, Shahpurjat  
Behind Panchsheel Club  
New Delhi-110 049

**Collaborators**

Koyo Seiko Co., Ltd., Japan  
Mando Machinery Corporation, Korea

**Bankers**

State Bank of India  
ANZ Grindlays Bank  
Standard Chartered Bank  
State Bank of Hyderabad  
The Sakura Bank Ltd.  
ICICI Banking Corporation Ltd.

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**NOTICE**

Notice is hereby given that the Fifteenth Annual General Meeting of the Members of Sona Koyo Steering Systems Limited will be held as under :

Day : Friday  
 Date : 30th July, 1999  
 Time : 11.00 A.M. -  
 Venue : FICCI Golden Jubilee Auditorium  
 Federation House  
 Tansen Marg  
 New Delhi-110 001

to transact the following business :-

**ORDINARY BUSINESS**

1. To receive, consider and adopt the audited Profit & Loss Account for the year ended 31st March, 1999, the Balance Sheet as at that date and the Reports of Directors and Auditors thereon.
2. To declare dividend for the year ended 31st March, 1999.
3. To appoint a Director in place of Mr. B.L. Passi, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr. Asit Chandmal, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint a Director in place of Mr. Chander Uday Singh, who retires by rotation and being eligible, offers himself for reappointment.
6. To appoint a Director in place of Mr. C.R. Amin, who retires by rotation and being eligible, offers himself for reappointment.
7. To appoint Auditors of the Company and fix their remuneration.

**SPECIAL BUSINESS**

8. **To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution :**

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, and subject to such sanctions as may be necessary, the consent of the Company be and is hereby accorded to the reappointment of Dr. Surinder Kapur as Chairman & Managing Director of the Company for a further period of five (5) years with effect from 28th September, 1999 on the terms and conditions including as to remuneration set out in the draft Agreement submitted to this meeting and initialled by the Chairman of the meeting for the purpose of identification, which Agreement is specifically sanctioned with liberty to the Board of Directors to alter and vary the terms and

conditions, including as to remuneration, for the said reappointment and / or Agreement in such manner as may be agreed between the Board of Directors and Dr. Surinder Kapur, Chairman & Managing Director of the Company."

9. **To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution :**

"RESOLVED THAT the consent of the Company be and is hereby accorded under Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 to mortgaging and/or charging by the Board of Directors of the Company of all or part of immovable and movable properties of the Company, wheresoever situated, present and future, of every nature and kind whatsoever and/or the whole of the undertaking of the Company in favour of State Bank of India and ICICI Banking Corporation Ltd., to secure:

- 1) State Bank of India of its Rupee Term Loan of Rs. 1500 lacs
- 2) ICICI Banking Corporation Ltd. of its Working Capital Facilities of Rs. 230 lacs

together with the interest thereon at the respective agreed rates, compound interest, additional interest, liquidated damages, commitment charges, premia on prepayment or on redemption, costs, charges, expenses and other monies payable by the Company to State Bank of India and ICICI Banking Corporation Ltd., under the respective Heads of Agreement / Loan Agreement / Subscription Agreement / Credit Facility Agreement / Letter of Sanction / Memorandum of terms and conditions, entered into / to be entered into by the Company in respect of the said facilities.

RESOLVED FURTHER THAT mortgage/charges created /to be created and/or all Agreements/Documents executed/to be executed and all acts done in terms of the above resolution by and with the authority of the Board of Directors are hereby confirmed and ratified."

Place : Registered Office :  
 Indraprakash (12th Floor)  
 21, Barakhamba Road  
 New Delhi - 110 001

Dated: 14th May, 1999

By Order of the Board  
  
 Sudhir Chopra  
 Company Secretary

**NOTES**

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and on a poll, to vote in his stead and such a proxy need not be a member of the Company. Proxies in order to be effective must be received by the Company not less than 48 hours before the time for holding the meeting.

2. The Register of Members and Share Transfer Books of the Company will remain closed from Thursday the 15th July, 1999 to Friday the 30th July, 1999 (both days inclusive).
3. Dividend on Shares, if declared by the Company, will be paid to the Shareholders whose names appear in the Company's Register of Members as on 30th July, 1999 or to their mandates. Non Resident Indian Shareholders having NRE Account in any scheduled bank are requested to intimate the same to the Company immediately for remittance of dividend.
4. Pursuant to the provisions of Section 205A(5) (as amended by the Companies (Amendment) Act, 1999) the Company is required to transfer unclaimed or unpaid Dividend amount after the expiry of seven (7) years from the date of transfer to unpaid Dividend Account to the Investor Education and Protection Fund constituted under Section 205C of the Companies Act, 1956. Those shareholders who have not encashed their Dividend Warrants so far, for the year 1995-96 or for any subsequent years are requested to make their claims to the Company.
5. Members are requested to notify promptly change in their address, if any, to the Company's Registered Office or MCS Limited, Sri Venkatesh Bhawan, 212-A, Shahpurjat, Behind Panchsheel Club, New Delhi 110 049, the Registrar and Transfer Agent, quoting the Folio Number.
6. All the queries related to Accounts must be sent to the Company before 15th July, 1999.
7. The members desirous to appoint a nominee in respect of their shareholding in the Company are requested to send the duly filled up and signed nomination form to the Company as enclosed with the Annual Report.
8. As a measure of economy copies of Annual Report will not be distributed at the Annual General Meeting. Members are requested to bring their copy of the Annual Report to the meeting.

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

##### **Resolution No. 8**

The Board of Directors of the Company in its meeting held on 27th September, 1994 had reappointed Dr. Surinder Kapur as Chairman & Managing Director of the Company for a period of five (5) years, with remuneration, with effect from 28th September, 1994. The said reappointment of Dr. Surinder Kapur as Chairman & Managing Director was approved by the Shareholders of the Company at 11th Annual General Meeting held on 28th August, 1995. The tenure of said appointment of Dr. Surinder Kapur is expiring on 27th September, 1999.

Dr. Surinder Kapur is the main Promoter of the Company and has been associated with the Company right from its inception. In this context the Board noted the commendable services

rendered by Dr. Surinder Kapur as Chairman & Managing Director of the Company. His enriched knowledge and experience in Automobile Industry will help in the growth of the Company. As the tenure of Dr. Surinder Kapur is expiring on 27th September, 1999, the Board of Directors of the Company in its meeting held on 14th May, 1999 has approved the reappointment of Dr. Surinder Kapur as Chairman & Managing Director of the Company for a further period of five (5) years, with remuneration, with effect from 28th September, 1999 on the revised terms and conditions, subject to the approval of Shareholders and such sanction(s) as may be necessary.

Pursuant to the provisions of Sections 269, 311 read with Schedule XIII and other applicable provisions of the Companies Act, 1956, the approval of the members is now being sought for the reappointment of Dr. Surinder Kapur as Chairman & Managing Director, with remuneration, for a further period of five (5) years with effect from 28th September, 1999 on the terms and conditions as embodied in the draft Agreement (a copy whereof shall be placed before the members) referred to in the resolution. The extracts of the aforesaid draft Agreement to be executed between the Company and Dr. Surinder Kapur are as under :

#### **i) Remuneration**

Dr. Surinder Kapur, Chairman & Managing Director shall be entitled for the following remuneration :

##### **a) Salary**

Rs. 1,00,000/- (Rupees one lac only) per month.

##### **b) Perquisites**

- i) In addition to the above salary, Dr. Surinder Kapur, Chairman & Managing Director of the Company shall be entitled to perquisites like furnished accommodation (including gas, electricity, water etc.) / H.R.A., medical reimbursement, leave travel concession for self and family, medical insurance etc. The value of these perquisites shall be restricted to an amount equivalent to Rs. 1,00,000/- (Rupees one lac only) per month.

Explanation : 'Family' means the spouse, dependent children and dependent parents of the appointee.

- ii) Provision for use of chauffeur driven Company Car for official duties and telephone at residence (including payment for local calls and long distance official calls) shall not be included in the computation of perquisites for the purpose of calculating the said ceiling of perquisites.
- iii) Company's contribution to Provident Fund and Superannuation Fund or Annuity Fund shall not be included in the computation of aforesaid ceiling limits of perquisites for remuneration,

to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.

- iv) Gratuity payable will not exceed half a month's salary for each completed year of service. However, this also will not be included in the computation of aforesaid ceiling limits of perquisites for remuneration.
- v) Encashment of leave at the end of the tenure will not be included in the computation of aforesaid ceiling limits of perquisites for remuneration.

#### c) Commission

Such remuneration by way of commission, in addition to the above salary and perquisites, calculated with reference to the net profits of the Company in a particular financial year as may be determined by the Board of Directors of the Company at the end of each financial year, subject to the overall ceiling stipulated in Section 198 and 309 of the Companies Act, 1956 as amended / modified / reconstituted from time to time.

In the absence or inadequacy of profits in any financial year, the Chairman & Managing Director may be paid remuneration by way of salary, perquisites and other allowances not exceeding ceiling limit of Rs. 24,00,000/- (Rupees twenty four lacs only) per annum or Rs. 2,00,000/- (Rupees two lacs only) per month and in addition thereto the perquisites not exceeding the limits specified in Section II of Part II of Schedule XIII to the Companies Act, 1956.

- II) The agreement is for a period of five (5) years with effect from 28th September, 1999.
- III) The terms and conditions of the said appointment and / or Agreement(s) may be altered and varied from time to time by the Board as it may, in its discretion, deem fit, within the maximum amount payable to the Chairman & Managing Director in accordance with

Schedule XIII to the Companies Act, 1956, or any amendments / reconstitution hereafter in this regard.

Except Dr. Surinder Kapur and Mr. J.M. Kapur to the extent that he is the relative of Dr. Surinder Kapur, none of the Directors of the Company is concerned with or interested in this resolution.

The above may also be treated as an abstract of the terms & conditions of the draft agreement to be executed between the Company and Dr. Surinder Kapur pursuant to Section 302 of the Companies Act, 1956.

The resolution is accordingly recommended for members' approval.

#### Resolution No. 9

The Institutions referred to in the resolution have granted the Rupee Term Loan and Working Capital Facilities as contained in the resolution. As per the Loan Agreements entered into with them, the Company has to agree to create mortgage and / or charge in favour of the concerned Lenders on the properties of the Company. This attracts the provisions of Section 293(1)(a) of the Companies Act, 1956.

None of the Directors is concerned with or interested in the resolution. The resolution is accordingly recommended for members' approval.

#### Inspection of Documents

The material documents referred to hereinabove will be open for inspection for the Members at the Registered Office of the Company from the date hereof and upto the date of the meeting during business hours.

Place : Registered Office :  
Indraprakash (12th Floor)  
21, Barakhamba Road  
New Delhi - 110 001  
Dated: 14th May, 1999

By Order of the Board  
  
Sudhir Chopra  
Company Secretary

## DIRECTORS' REPORT

TO THE MEMBERS,

Your Directors have pleasure in presenting their Annual Report together with audited accounts of the Company for the year ended 31st March, 1999.

### Performance

	1998-99 Rs./Lacs	1997-98 Rs./Lacs
Sales and other Income	15702	15399
Profit before Interest & Depreciation	1964	2184
- Interest	660	595
- Depreciation & Write Offs	647	522
Profit before Tax	657	1067
Less : Provision for Tax	84	170
Profit after Tax	573	897
Add : Profit brought forward	82	106
Profit available for appropriations	655	1003
<b>Appropriations</b>		
Provision for Prior Year Taxation	98	—
Premium on restructuring the loan	—	97
Proposed Dividend	198	204
Tax on Dividend	22	20
Transfer to General Reserve	300	500
Transfer to Debenture Redemption Reserve	—	100
Balance Carried Forward	37	82
	655	1003

### Dividend

Your Directors recommend a Dividend of 22.5% for the year ended 31st March, 1999 as against 25% last year, due to lower profits.

### Change in Name

As approved by the shareholders at the last Annual General Meeting of the Company held on 4th September, 1998 and consequent upon the issue of fresh Certificate of Incorporation dated 18th September, 1998 by the Office of the Registrar of Companies, N.C.T. of Delhi and Haryana, the name of your Company stands changed from "Sona Steering Systems Ltd." to "**Sona Koyo Steering Systems Ltd.**" The change in the name is a reflection of KOYO's full technical support to SONA and will make our manufacturing facility a part of their Global Operations.

### Business Outlook - Year under Review

The year under review has been the first year of "severe" competition in the Indian Automotive Sector, from which your Company derives its demand. Value for money, has been the "mantra" of all passenger car manufacturers. The year witnessed the launch of new models from Daewoo, Hyundai and Telco of their "economy" cars, all

of which put pressure on Maruti, the leader, to reduce prices. This resulted in Maruti seeking substantial price reductions from its suppliers, including your Company.

Cost reduction and efficiency improvement programmes continue to be major priority of your Company, savings from which actually helped the Company to setoff, to some extent, the impact of price discount necessitated to its customer. Your Company's results would have been much better had Maruti achieved its budgeted volumes of 375,000 against the actual of 335,000 cars during the year i.e. a drop of 6% over last year's volume of 357,000 cars.

Your Directors are pleased to inform you that your Company's new plant setup at Chennai with total investment of Rs. 724.30 lacs to cater to the Steering Systems requirements of Hyundai has commenced production in December, 1998. The gross sales effected by the plant for the period ended 31st March, 1999 is Rs. 234.80 lacs. The Chennai Plant is expected to achieve a turnover of around Rs. 11 crores in the Current Year. During the year under review, your Company has also commenced supplies of Power Steering Gears to Mitsubishi "Lancer" cars, thus widening its customer base.

### Current Year F-2000

The market, which bounced back in the last quarter of the year (January - March, 1999) and continued through April, 1999, saw uncertainty in May, 1999 with the Hon'ble Supreme Court Interim Order, enforcing the emission norms abruptly. Today, the Hon'ble Supreme Court in their Final Order has imposed stiff norms from June 1, 1999 in National Capital Region. This, coupled with the elections in September / October, 1999 and the end of this millennium, may create a "buy-later", a "buy in the 21st Century" attitude which may adversely affect the Passenger Car Market.

However, the good news is that there is no likelihood of any further undercutting of prices in the passenger car market as all the players have completed the positioning of their vehicles. At the end of the positioning, Maruti does not appear to have any competition in the economy car segment (i.e. 800cc / Omni).

Maruti is further planning to strengthen its position by launching a new car towards the end of the year. It is a matter of pride that your Company has been selected as the sole supplier of Steering Gears and Columns for the new model after a rigorous evaluation process. The Company is also likely to receive the Letter of Intent from Hyundai Motors (India) Ltd. for supply of Steering Gears and Columns for its proposed new Car to be launched in January, 2000. Your Company was also chosen as the sole supplier of Steering Gear (both Power and Manual) for the utility vehicle to be launched by Toyota in January, 2000.



The Company's customers - Maruti, Hyundai, Mitsubishi, Toyota etc. have given us quite encouraging plans for the current year. If these volumes materialize, your Company will have a turnover of Rs. 192 crores in the current year. Your Directors, on recommendation of the management, have scaled down the Budgeted Sales to Rs. 172 crores, which is 11% higher than last year's sales. If the budgeted sales materialize, your Company's operating results would show a marked improvement.

In view of the Government of India extending the export obligation period upto September, 2001, your Directors have made a very special request to KOYO to ensure fulfillment of this obligation and thus do not envisage any liability against the EPCG Scheme.

### **Financing**

Your Directors have given a mandate to your Company's Management to reduce the interest cost of the Company and to work towards reducing the Company's Debt Equity Ratio from 0.83:1 to 0.45:1 within three (3) years. In line with this strategy, your Company has pre-paid high cost debt of Rs. 3 crores during the year.

Shareholders' value of SONA has been eroded in the last few years mainly because of substantial investments in long term assets which are not yielding immediate returns. The Company's investment in Power Steering Plant is a glaring example. Learning from this experience, your Directors have also mandated the Management not to seek any capital expenditure approvals which will be funded from debt and has specified a very rigorous justification process. However, investment in technology improvement, quality upgradation and process capability enhancement, will be encouraged as these result in increased returns on incremental investment through better utilisation of existing assets.

Your Company's Power Steering Plant will, in the near future, get substantial business from the Toyota's multi utility vehicles and Mahindra & Mahindra IDAM vehicles.

### **Y2K Compliance**

Your Company has taken adequate precautions to overcome Y2K problems. Y2K corrections are needed in IT area as well as in embedded chips in Machine Tools used for manufacturing. In IT area the Company has Oracle based applications with Hardware network between various functions. In manufacturing area the Company has CNC and NC machines. Both the areas have been audited using external experts and corrective actions are being taken. The Company does not expect any major bottlenecks in operations due to Y2K related issues.

### **Human Resources**

As has been reported in a section of the press, your Company is a member of the Cluster Group formed by Maruti Udyog Ltd., for obtaining guidance and training from

Prof. Tsuda in the area of Total Quality Management (TQM). TQM essentially concentrates on building management processes within the Company which ensures consistent and improved performance year after year. Although, this is a long term programme of three years duration, the results will be visible from the next year onwards.

In order to enhance SONA's new product development capabilities, your Company has entered into a long term arrangement with its collaborator viz. Koyo Seiko Co., Ltd., Japan (KOYO) to impart training of six months duration to SONA's Design Engineers. Three Engineers have so far been trained at KOYO.

### **Group Companies**

#### **01. Mahindra Sona Ltd.**

Mahindra Sona Ltd. (MSL) manufactures Drive Line Components and Systems for the Automobile Industry mainly for commercial vehicles. During the year MSL has been able to make a break through in the export market in U.S.A. While the initial orders are for a set of components, the growth potential of export business are substantial. Due to the continued recession in the commercial vehicle segment, the Company's performance for the year has been lower than last year. The Company has currently a Sales Turnover of Rs. 3694 lacs (1997-98 Rs. 4152 lacs) and declared a dividend of 10% last year.

#### **02. Sona Somic Lemforder Components Ltd.**

The Company was initially promoted as a Joint Venture between Sona Koyo Steering Systems Ltd. (SONA) and Somic Engineering Inc., Japan (SE) and the technology was provided by Somic Ishikawa Inc., Japan (SOMIC) which is a Holding Company of SE.

This Company is meeting SONA's requirement of Suspension Components for Maruti, as well as supplying to Honda Siel. Toyota and Mitsubishi will become its customers in the current year. In order to further expand the product base of the Company, SONA and SOMIC have negotiated with Lemforder Metallwaren AG., Germany (LM), a Company incorporated under the laws of Germany to join as a third Joint Venture Partner of the Company. With LM's participation, the Company will be able to expand its present range of Automotive Components of Japanese design by also manufacturing components of LM design and will be able to supply to the European customers in India. The Company will in the near future supply to KOYO Group in Europe, thus beginning its export drive. LM has acquired 26.66% in the Share Capital of the Company, which shall ensure active participation of LM in the Company's operation.

The Sales for F-99 is likely to be Rs. 1350 lacs (1997-98 - Rs. 1050 lacs) and the projections for next

year is Rs. 2000 lacs. The Company is yet to reward SONA through dividend.

### 03. Sona Matsuda Cold Forgings Ltd.

Sona Matsuda Cold Forgings Ltd. (SMCFL), one of our Group Companies, promoted for the manufacture of Cold Forged Components in Technical Collaboration with Matsuda Industry Inc., Japan, has made available to your Company high quality Cold Forged parts which has helped in reducing the machining cost in Sona Koyo Steering Systems Ltd.

After the initial phase of know-how transfer, the Collaborators got into financial difficulty and, therefore, were unable to provide continued technical support. This resulted into a set back in the growth of the project. As a contingency, therefore, it became necessary to build technology on the initial inputs received by the Company on its own. The Company is now able to finalise contracts for several new Cold Forged Components from Automobile Industry besides SONA. As in time, when the volume of these components grow, we hope that the Company will be nursed back to health. Currently, the Company's Sales are at Rs. 460 lacs for the 12 months ended 31st March, 1999 and in the first two years has incurred a loss of Rs. 460 lacs. However, in the current year, the Company expects to achieve cash break even with a sales turnover of Rs. 800 lacs.

The Company has submitted an application to the Office of Registrar of Companies, for changing its name from "Sona Matsuda Cold Forgings Ltd." to "Sona Cold Forgings Ltd." and the requisite approval is awaited.

### 04. Sona Okegawa Precision Forgings Ltd.

We are pleased to inform you that Sona Okegawa Precision Forgings Ltd. (SOPFL) Project for the manufacture of Precision Forgings commenced its Commercial Production of Bevel Gears from November, 1998. Besides supplying the Bevel Gears to Automotive manufacturers in India, a substantial portion of the production has started going into the export markets. This has further strengthened our belief in the project's capability for substantial growth. The Sales for first five months, of start-up phase, upto 31st March, 1999 is expected to be Rs. 175 lacs.

As regards the technology for manufacture of Synchronizer Rings, Mitsubishi Materials Corporation, Japan (MMTL) proposes to extend the same through Owari Precise Products Co., Ltd., Japan (OPC). OPC is the largest manufacturer of Synchronizer Rings in Japan with customers like Toyota, Suzuki, Mitsubishi etc. For effective transfer of technology and the continuous association of OPC, OPC has agreed to acquire, by way of preferential allotment,

1.76% of Equity Shares in the Share Capital of SOPFL.

The technology and products of SOPFL have been well received and Eicher Tractors, Punjab Tractors, Mahindra & Mahindra, TELCO and Maruti have approved SOPFL as a supplier of Bevel Gears for their products. The customers have given substantial schedules to SOPFL which will help SOPFL to achieve a turnover of around Rs. 15 crores in the current year.

### Subsidiary Companies

During the year, the Company has disinvested some of its investments from Hypersonic Investment Ltd., Turbo Investment Ltd. and Sona Matsuda Cold Forgings Ltd., the Subsidiaries of your Company. Thus, as on the date of closure of Financial Year i.e. 31st March, 1999, there is no Subsidiary of the Company within the meaning of Section 4 of the Companies Act, 1956.

### Fixed Deposits

During the year the Company has not invited any deposits from the public.

### Directors

Mr. S. Saran, Director (Commercial) has resigned from the services of the Company and had ceased to be a Director of the Company with effect from 29th October, 1998.

Pursuant to Article 122 of the Articles of Association of the Company Mr. B.L. Passi, Mr. Asit Chandmal, Mr. Chander Uday Singh and Mr. C.R. Amin, will retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for reappointment.

### Auditors

M/s. S.P. Puri & Co., Chartered Accountants, New Delhi, Auditors of the Company retire at the 15th Annual General Meeting of the Company and being eligible, offer themselves for reappointment. The requisite certificate under Section 224(1B) of the Companies Act, 1956, has been received from them. The notes to accounts referred to in the Auditors' Report are self explanatory.

### Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo

A statement containing the necessary information as required under the Companies (Disclosure of Particulars in the Report of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended March 31, 1999 is given as Annexure 'A' to this report.

### Employees

In accordance with the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, the particulars



of employees are given in **Annexure 'B'** forming part of this report.

**Acknowledgements**

Your Directors acknowledge with gratitude the co-operation and support extended by SONA's customers namely **Maruti Udyog Limited**, Hyundai Motors (India) Ltd., Mitsubishi, TELCO Ltd., Hindustan Motors Ltd. and Koyo Seiko Co. Ltd., the Financial Institutions, Banks, various agencies of the Government and SONA's collaborators namely Koyo Seiko Co., Ltd., Japan & Mando Machinery Corporation, Korea.

Your Directors also wish to place on record their sincere appreciation of the services rendered by all employees of the Company and are thankful to the Shareholders and Debentureholders for their continued patronage.

For and on behalf of the Board

Place : New Delhi

Dated : 14th May, 1999

Dr. Surinder Kapur

Chairman & Managing Director

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