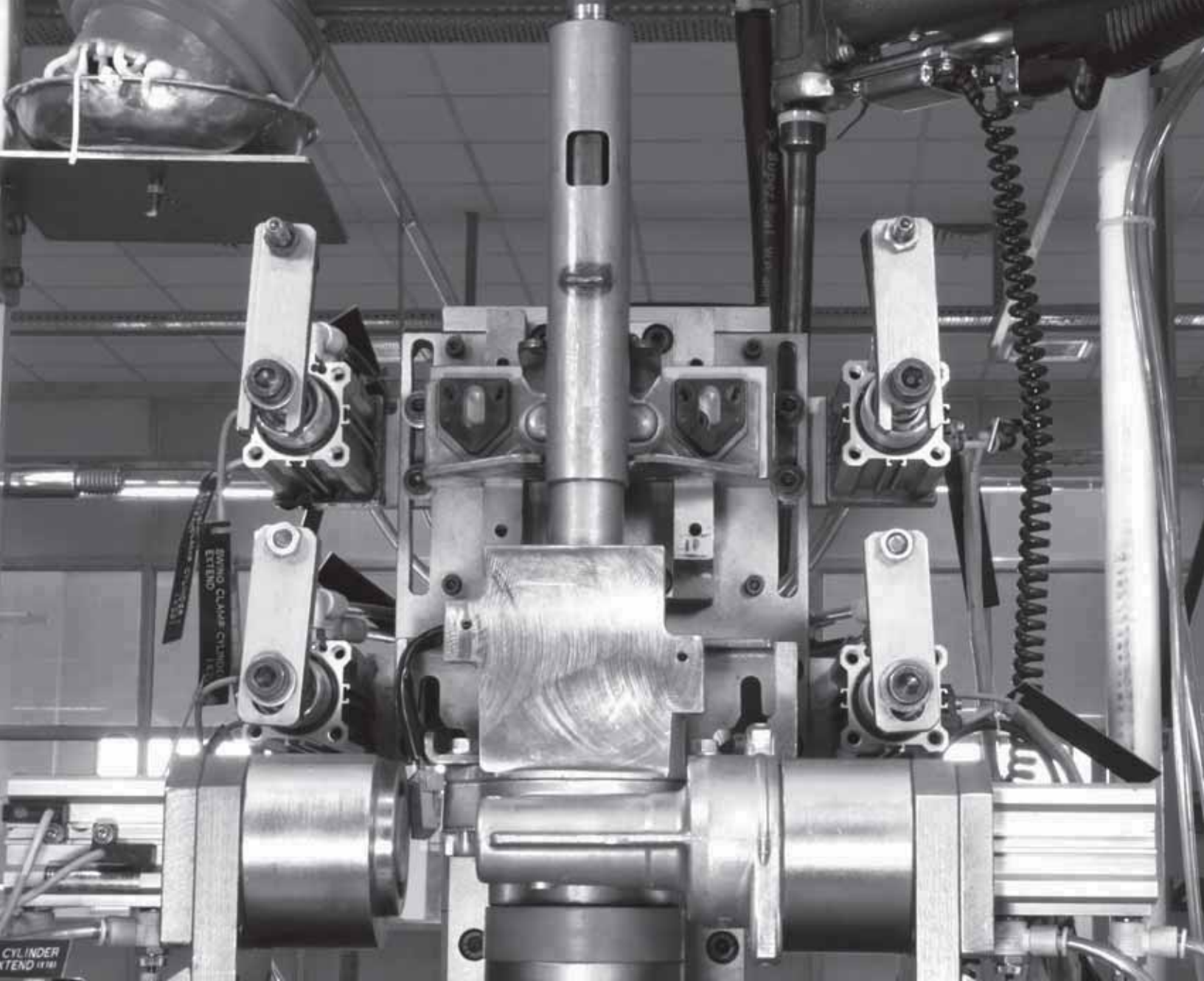




ANNUAL REPORT 2011-12  
SONA KOYO STEERING SYSTEMS LTD.





Deming Award winner Sona Koyo Steering Systems Ltd. has the latest testing facilities to ensure top quality standards



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## CHAIRMAN'S LETTER





Dear Shareholders,

Year 2011-12 marked a year of spirited growth and positive progress for Sona Koyo Steering Systems Ltd, the result of the management's continued focus on harnessing the power of partnerships. Today, from the helm, we are pleased to report that Sona Koyo team is moving in strong unison – working in synchronized rhythm with employees, customers, vendors and investors. Moving in tandem and building valued relationships is how we have been able to deliver growth, despite a lacklustre and challenging economic environment.

During the year your company outperformed the industry, registering a consolidated sales growth rate of 17.6%, despite Indian passenger car sales growing only 2% (which represented lowest growth since 2008-09). Year 2011-12 saw the company achieve sales turnover of ₹ 11.3 billion with the Sona Koyo Group consolidated sales turnover at ₹ 14.1 billion. Strong focus on cost management and improving operational efficiencies resulted in standalone operating profit growth of 14%, compared to 10% growth in sales. The Board has recommended a dividend of 65%.

Now, with demand sentiments and indicators turning and strong foundations for future growth laid down, the company is well set to push forward with its growth agenda. India has been the major performer in the global scenario. The world economy grew by just 3.8% in FY'12 whereas India registered a growth of 6.5%.

Further, the global automotive industry continues to have a subdued outlook for 2012 after a tough 2011. Worldwide new vehicle sales in 2012 are expected to rise 6.7% over 2011 volumes to 77.7 million vehicles. However, BRIC growth is likely to reach double digits (12%) in 2012 following only 5% growth in 2011.

Demographically and economically, India's automotive industry is well positioned for growth, servicing both domestic demand and export opportunities. According to the Automotive Component Manufacturer Association (ACMA) estimates in the Automotive Mission Plan 2016, the total turnover of the automotive industry in India would be in the order of USD 122-159 billion in 2016, accounting for more than 10% of India's GDP. As per the Society of Indian Manufacturer Association (SIAM) estimates, the Indian passenger vehicle production is expected to grow three times to 9.7 million by 2020 from the current level of 3.1 million.

We made remarkable progress in a variety of new business fields in 2011-12 as we laid the groundwork for even greater growth in the years ahead. The efforts of in-house R&D investment for Electronic Power Assisted Module (EPAM) have borne fruit, with commercial production starting from Jan12. This has enabled the company to not only enter a new segment of steering technology for off-road vehicles but also expand its customer base. With a strategic vision

to expand production capacity we have established a new facility at Dharuhera with an installed capacity of 598,000 manual steering gears in phase 1.

Cost competitiveness and improving productivity & efficiency is a strategic focus for Sona Koyo. Company has set up the backward integration aluminium die casting plant and work on Insourcing plant is proceeding rapidly and scheduled to be completed by first half of FY'13. With an increasing trend of companies graduating towards light weight products, the aluminium die casting facility would provide a strong avenue for adding new customer segments.

Looking ahead, we aim to enhance our competitiveness and profitability by pursuing quality, organic growth in our current businesses and strategic expansion into key market segments.

The future success of the company depends upon our ability to meet the customers' demands and aspirations. There is great confidence that with the major initiatives undertaken in terms of operational synergies, human resource leadership programs, technological advancements, Sona Koyo will achieve growth and take its place as a respected and viable automobile enterprise with meaningful size and scale in the segments in which it operates.

With an emphasis on long term sustainability, the company focuses on safeguarding the environment through recognizing the impact of its operations on the environment. In line with the focus on environment the company has implemented virtualization program aimed at optimizing usage of computing power & end user devices which would reduce energy consumption.

I take this opportunity to thank our partners; JTEKT, Maruti Suzuki and Fuji Kiko, our customers; Maruti Suzuki, Mahindra & Mahindra, Tata Motors, Hyundai, Mando India, Fiat India, Toyota Kirloskar, General Motors, and Renault-Nissan India, our bankers; State Bank of India, Corporation Bank, Standard Chartered Bank, Exim Bank, Yes Bank, Kotak Mahindra Bank, Allahabad Bank, Indian Bank and State Bank of Hyderabad, and our employees for their continued support and confidence in our management.

Finally, we would like to thank you, our shareholders, for your continuing interest in Sona Koyo's business activities and assure you that your company will, as always, live up to your expectations.



**Dr. Surinder Kapur**  
Chairman

VICE-CHAIRMAN AND MANAGING  
DIRECTOR'S LETTER



Dear Shareholders,

A positive look at 2011-12, a year full of challenges for the Automotive sector, shows multiple gains at Sona Koyo both in terms of financial and operational performance.

The company has followed a conscious strategy of adding new customers and increasing penetration amongst existing customers. The impact of this move can be corroborated by 10% growth in revenues despite strong headwinds in the automotive sector. Company's entry into a new segment with orders from John Deere, one of the world's leading players in off-road vehicle market, is a testimony to the technological prowess & strong market standing.

Let me take this opportunity to outline the progress that Sona Koyo has made in some of the key focus areas, namely Strengthening Partnerships with Suppliers & JV Partners, Improving Competitiveness & Strategic Investments in People & IT systems.

Sona Koyo believes in the power of partnerships and the unique capabilities of its partners to complement and supplement each other. Sona Koyo has collaborated with multiple partners for different products, technologies and customer requirements. A testimony to this is the long standing relationship with our partners such as JTEKT, Maruti Suzuki and Fuji Kiko. The company, in collaboration with Confederation of Indian Industry (CII) is also leading the VSME (Visionary Small & Medium Enterprises) program aimed at improving technical & operational efficiency of tier-2 & tier-3 suppliers. The Company organized Supplier Conference which was attended by 220 suppliers. The theme for the conference was "Partnering Growth" and was aimed at enabling both Sona Koyo and the suppliers to be mutually aligned to the changing market scenario.

With Cost Competitiveness being a source of crucial strategic advantage in the current market scenario, your company has placed considerable emphasis on enhancing efficiency & productivity of operations. We have taken a multi-pronged approach in execution of this strategy by increasing localization and enhancing our Backward Integration & Insourcing program.

The company has followed a structured approach aimed at greater localization of imported parts, exploring weight reduction opportunities and competitive dual sourcing of components. The company continues to make strong efforts aimed at further reducing percentage of imported components.

The Insourcing program is a strategic move to not only bring back processes that had been outsourced but also improve quality, reduce cost and increase value addition, all of which would have a positive impact on our profitability. Also the company has set up an aluminium die casting plant as part of its backward integration program which would further enhance operational efficiency.

The organization undertook a strategic exercise aimed at developing a leadership pipeline and at the same time build a strong pool of talent. The company through its program called the "Drivers of Tomorrow" has identified future leaders and is implementing an executive coaching program and equipping the identified pool of employees with critical skill set for future growth.

We believe IT is a strong driver towards not only improving efficiency but also for improvement in overall quality of processes. With this in mind company has laid down the IT strategy roadmap for next 3 years aimed at enhancing knowledge management systems, business intelligence systems and improving supplier collaboration. Another initiative taken by the Company was to implement virtualization of computing power & end user devices which would optimize utilization of resources and reduce energy consumption & end user maintenance. In addition, the Company has upgraded the Product Lifecycle Management application. These initiatives shall deliver robust financial controls.

The coming pages will give you an in-depth view of the market, market challenges and various factors that impact our business. I would like to thank the Management Board of the Company for their continued support and guidance in steering the Company forward.

We look forward to another successful year ahead; and I take this opportunity to convey my sincere thanks for your continued support.



**Sunjay Kapur**  
Vice-Chairman & Managing Director

## BOARD OF DIRECTORS



Dr. Surinder Kapur



Mr. Sunjay Kapur



Mr. K. M. Deshmukh



Mr. Hiroyuki Miyazaki



Mr. Kazuhiko Ayabe



Mr. J. M. Kapur



Mr. B. L. Passi



Mr. Ramesh Suri



Mr. Ravi Bhoothalingam



Mr. P. K. Chadha



Lt. Gen. (Retd) S.S. Mehta



Dr. Rakesh Mohan



Ms. Ramni Nirula



## BOARD OF DIRECTORS

Dr. Surinder Kapur  
Chairman

Mr. Sunjay Kapur  
Vice Chairman & Managing Director

Mr. K. M. Deshmukh  
Dy. Managing Director

Mr. Hiroyuki Miyazaki  
Nominee of JTEKT Corporation, Japan

Mr. Kazuhiko Ayabe  
Nominee of Maruti Suzuki India Limited

Mr. Jug Mohan Kapur  
Mr. B. L. Passi  
Mr. Ramesh Suri  
Mr. Ravi Bhoothalingam  
Mr. P. K. Chadha  
Lt. Gen. (Retd) Shamsheer Singh Mehta  
Dr. Rakesh Mohan  
Ms. Ramni Nirula

## COMPANY SECRETARY

Mr. Sudhir Chopra

## EXECUTIVE MANAGEMENT

Dr. Surinder Kapur  
Mr. Sunjay Kapur  
Mr. K. M. Deshmukh  
Mr. P. V. Prabhu Parriker  
Mr. Sudhir Chopra  
Mr. Sunder Rajan

## OPERATING MANAGEMENT

Mr. Sunjay Kapur  
Mr. K. M. Deshmukh  
Mr. Sudhir Chopra  
Mr. Sunder Rajan  
Mr. R. B. Singh  
Mr. A. Fujimoto  
Mr. A. D. Rao  
Mr. Rajiv Chanana  
Mr. P. P. Gajpal  
Mr. Deiva Subramanian  
Mr. Deepak Arora  
Mr. Shyamal Saha

## TECHNICAL PARTNERS

JTEKT Corporation, Japan  
Mando Corporation, Korea  
Fuji Autotech AB, Sweden

## AUDITORS

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

## BANKERS

State Bank of India  
Standard Chartered Bank  
Corporation Bank  
State Bank of Hyderabad  
EXIM Bank  
Allahabad Bank  
Indian Bank  
Yes Bank Ltd.  
Kotak Mahindra Bank Ltd.

## REGISTRAR AND TRANSFER AGENT

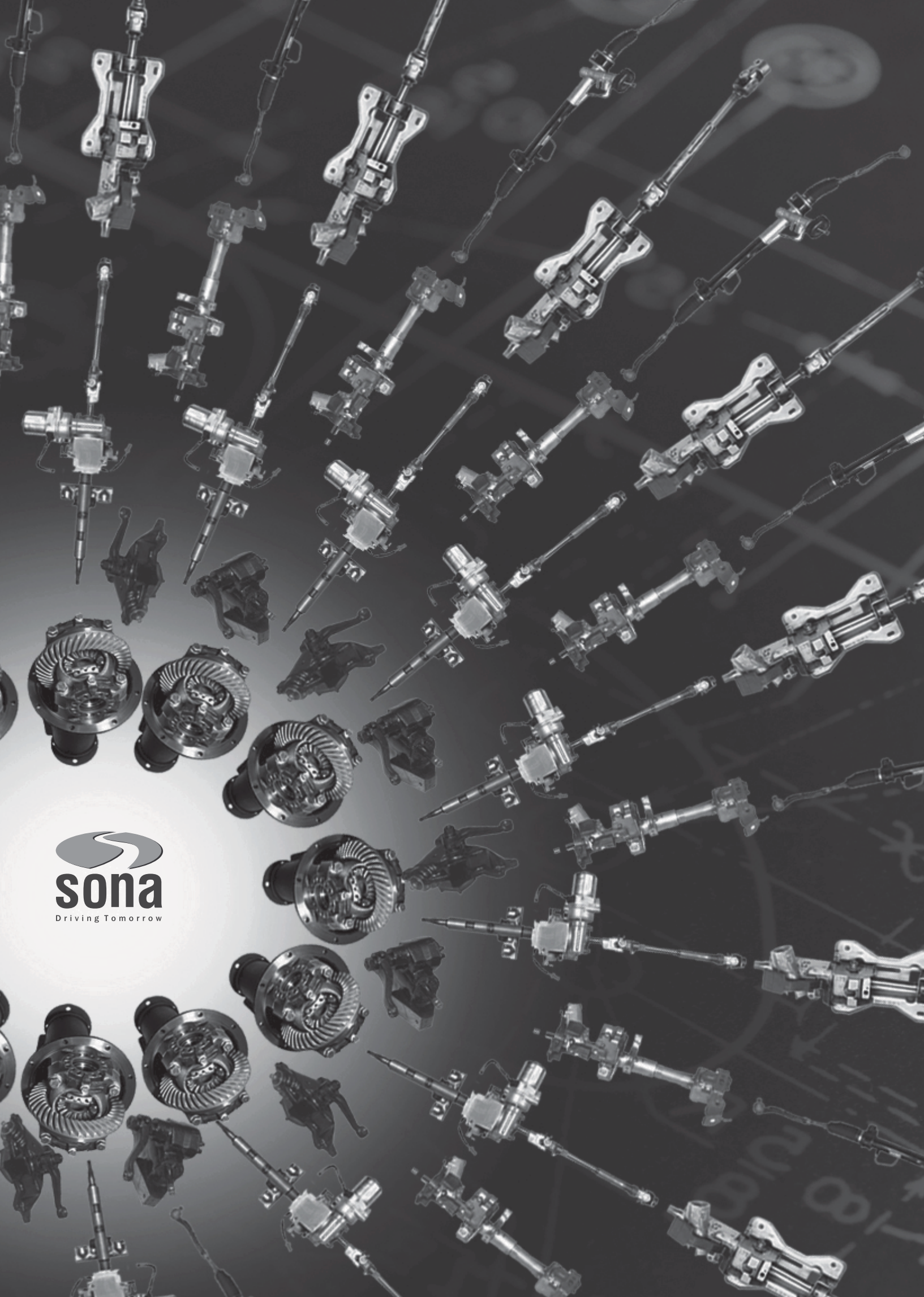
Karvy Computershare Pvt. Ltd.  
305, New Delhi House,  
27, Barakhamba Road, Connaught Place,  
New Delhi 110 001

## REGISTERED OFFICE

UGF-6, Indraprakash,  
21, Barakhamba Road,  
New Delhi 110 001

## WORKS

- 1) 38/6, NH-8, Delhi-Jaipur Road,  
Gurgaon 122 002 (Haryana)
- 2) P. O. Box 14,  
Chennai-Bangalore Highway, Sriperumbudur,  
Distt. Chinglepet 602 105
- 3) Plot No. 32, Industrial Area Ph II  
Dharuhera, Distt. Rewari (Haryana)
- 4) Plot No. D9, TML Vendor Park,  
Survey No. 1, Village Northcotepura,  
Sanand, Ahmedabad (Gujarat)
- 5) Plot No. 19, Industrial Area,  
Dharuhera, Distt. Rewari (Haryana)
- 6) Vill. Malpura, Tehsil Dharuhera  
Distt. Rewari (Haryana)



  
**sona**  
Driving Tomorrow