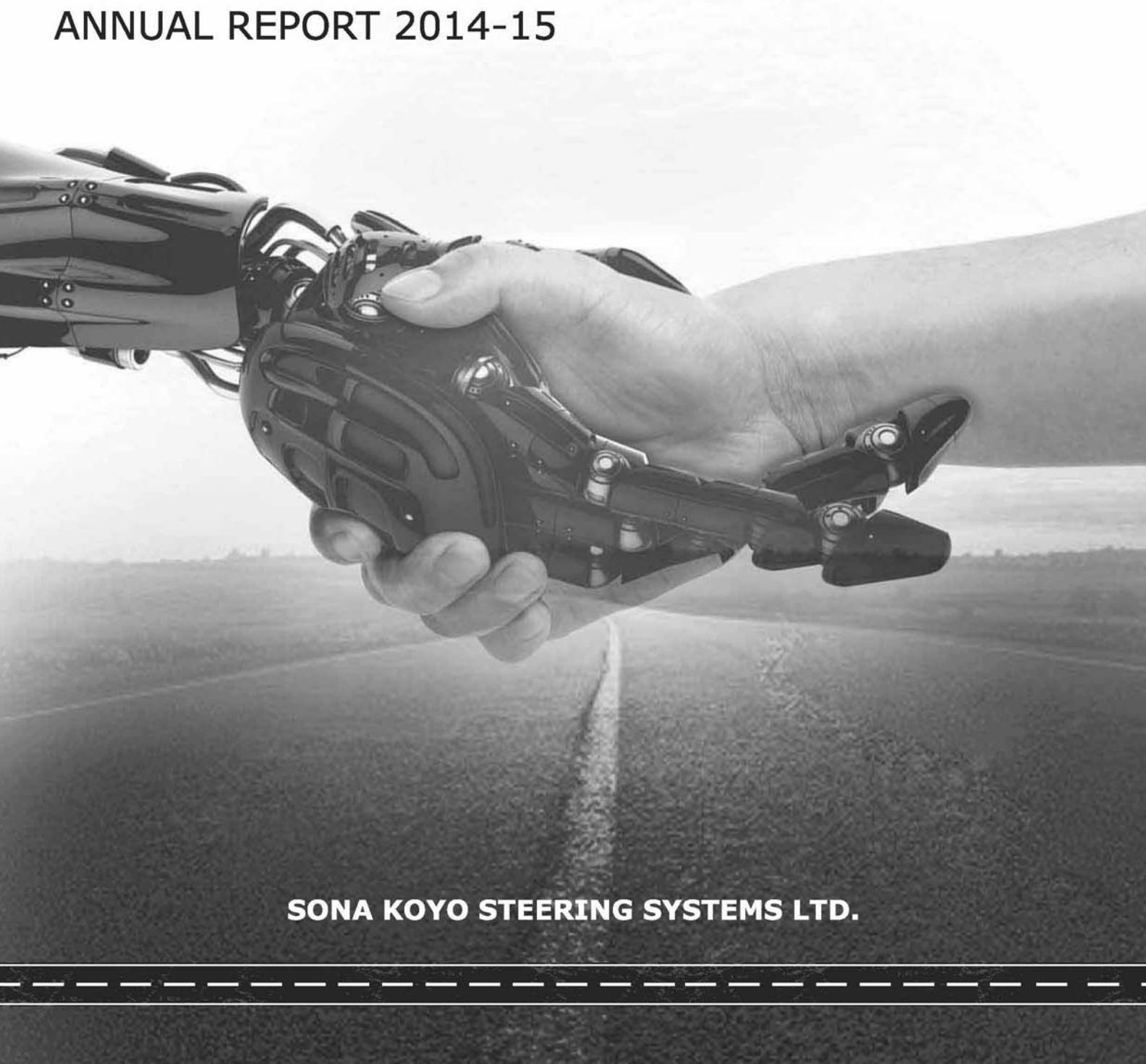




# THE ROAD AHEAD

ANNUAL REPORT 2014-15



**SONA KOYO STEERING SYSTEMS LTD.**

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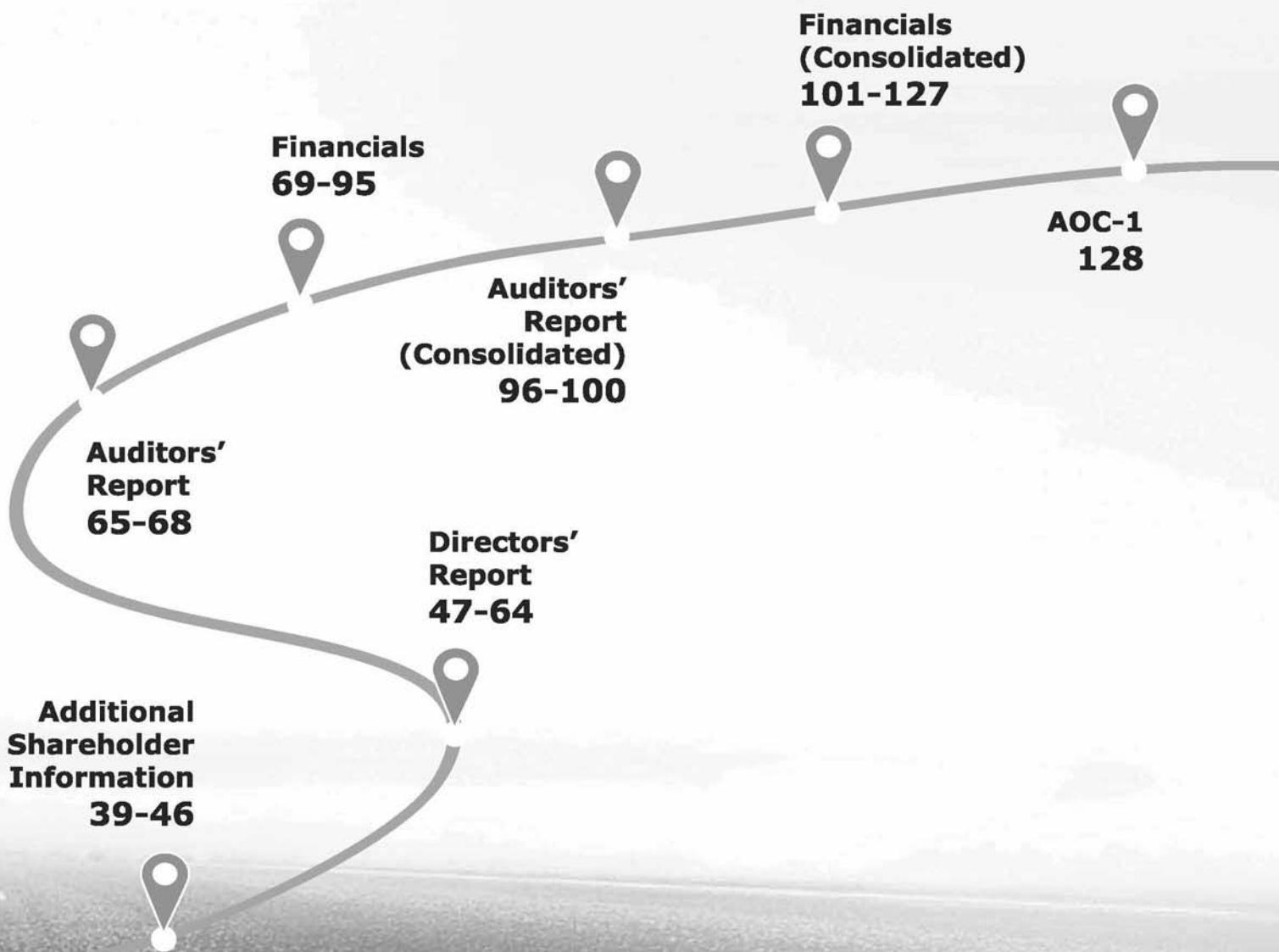


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## A TRIBUTE TO OUR FOUNDER CHAIRMAN

In 1985 Dr. Kapur (my father) saw an opportunity that would many years later define his life. He along with his team of four, founded Sona Steering Systems Ltd. He had a BIG dream and just 50 lakh to his name.

In 2008, the Sona Group touched a billion dollars in revenue.

Dr. Surinder Kapur was an entrepreneur and a visionary. He saw an opportunity when Maruti Suzuki set up in India and decided he was going to make the steering system for the Maruti 800. Several trips to Japan later he forged a partnership with Koyo Seiko (now known as JTEKT Corporation) that has been a marriage of close to 30 years.

Dr. Kapur was a founder, a boss, a partner, a friend, and a visionary. At heart though he was a student. He had a thirst for learning and a desire to always impart all the knowledge he gained.

His legacy is larger than himself. He loved his people and he lived by his values. He always told us, "if you take a decision with your values in mind, you can never go wrong". And Dr. Kapur hardly ever went wrong.

He had the energy of a teenager, always ready to go. And he had the ability to listen. He listened to everyone, he heard and he listened. He engaged with people well. As one of his team members said, "he could talk about nothing or everything". He had qualities that were rare to find in one man alone.

When I was 16, he came to The Doon School to talk to my class on how to dream big; every student in that room went away with a memory that they still remember 25 years later. He truly was a charismatic leader. Ambitious and successful; he had a great

sense of humour and a huge zest for life. And wherever he went he touched lives and he touched hearts. Including those of all the people he worked with. He was a guide and mentor to many. He believed in working together; and he believed in respect. He would always give the same attention and focus to a shop floor worker or the CEO. That is why people were drawn to him and that is why their interaction with him was made memorable.

He taught us to follow our passion and to believe in ourselves. I remember a phrase he often used; "Remember the future and imagine the past." According to him it was important to remember the future, "Remember where you want to go. Focus on where you want to be and keep that at the top of your mind. The past is over, so imagine it any way you want to." When I think of that now in this context, I can only say, it was a great learning for me. He left a legacy that is larger than us all. Larger than himself. He shared his dream for the future so that we would remember it too.

Our founder, our guide, our star has left us, and left for us big shoes to fill. We will continue to live his legacy and we will miss him each day. To the man who built this company with his bare hands, we salute you and thank you for giving us this platform to build upon.

As Benjamin Disraeli said and Dr Kapur exemplified through his life, "The legacy of heroes is the memory of a great name and the inheritance of a great example."

It is his example that is our greatest legacy.

Sunjay Kapur  
Vice-Chairman & Managing Director



## VICE CHAIRMAN & MANAGING DIRECTOR'S LETTER

Dear Shareholders,

At Sona Koyo, we have throughout our growth journey, embraced new technologies and new processes. In fact, it is this focus that has propelled growth for us through systems like Kaizen and the Toyota Production System. The Company has drawn upon the strength of its joint venture partners which include JTEKT Corporation, Maruti Suzuki and Fuji Kiko to upgrade systems, skills and production standards to offer customers contemporary and high quality products. Tom Peters summed it up beautifully when he said, "Excellent firms don't believe in excellence – only in constant improvement and constant change."

The year 2014-15 was the year of revival for the Indian automobile sector; post a challenging year; with the domestic passenger vehicle segment registering around 4% growth in volumes. The year also saw Sona Koyo Steering Systems Limited move ahead on both customer and cost related strategic initiatives embarked upon a couple of years ago. The Company registered a consolidated revenue growth of 4% and consolidated EBIDTA growth of 21% demonstrating strong profitable growth as our strategies to diversify customer portfolio and build competitive cost efficiencies started to deliver.

The strong headwinds that ailed the industry for the past two years due to lower economic growth subsided this year under the new Government. The excise cut provided to the sector till December 2014 was instrumental in kick-starting growth and soon we saw consumer sentiments pick up with improving economic outlook, lower fuel prices and reducing interest costs. Leading car makers were quick to play up this demand by launching numerous new models and variants this year and many of them recorded their highest domestic sales volumes in the year. The apprehensions of sustained revival were put to rest in the last quarter when car sales increased 5.0% YoY even after rollback of excise cut.

With strong agenda under its 'Make in India' program of making India a manufacturing hub, the new government has already started taking the right initiatives to achieve the same. As a market leading auto component maker, your Company remains committed to collaborate with Indian and Foreign OEMs for technological development and productivity improvement.

The passenger vehicle segment of the Company delivered growth in line with revival in the domestic passenger car market. In the current year, Sona Koyo started supplying power steerings for the new Maruti Ciaz. In the Non Passenger vehicle segment, the Company also extended its Electric Power Assist Module (EPAM) technology to tractors (TEPAM) and tested in the aftermarket and is now set for implementation with domestic OEMs. Sona Koyo is constantly investing in R&D on EPAM to come with new variants to cater to segments other than farm vehicles.

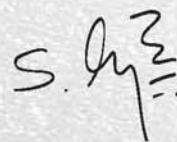
Going forward, EPAM would be a key growth driver in our exports as well as the domestic markets.

Sona Koyo has been focused on improving operational and cost efficiencies for quite some time now. The Company installed a new state of the art model line at Dharuhera II for manual steering gears. This has enabled us to reduce cycle time from 70 seconds to 45 seconds, and thus achieving a high level of manufacturing efficiency which will help to win new business in future. During FY15, the Company completed the Phase IV of EPS localization and brought down the material cost to 67.3% as percentage of sales in FY15 from 69.7% in FY14.

Systems and processes are, of course, not the only winning factor. People have, and always will, come first. The Company's leadership role is to motivate employees and communicate the required values effectively. Sona Koyo has always laid strong emphasis on skill development. It is to further this cause that Sona Skill Development Centre (SSDC) was started in October 2013. The state of the art Centre in the industrial hub of Gurgaon has 2,600+ square meters of total floor area, five classrooms, a well-equipped workshop, a metrology lab and a computer lab. The objective of the Center is to develop people for excellence in manufacturing by upgrading the skill level of employees of the manufacturing industry.

Your Company looks forward to FY16 with optimism expecting strong domestic demand as the economy has already accelerated resulting in a growth in GDP of 7.3% in FY15 as against 6.9% for FY14 as per the Central Statistical Office. We hope to extend our leadership in Passenger Car segment as our key customers have a strong pipeline of new launches lined up. We also expect our exports to pick up as EPAM enters its fourth year of operations.

I take this opportunity to thank our partners: JTEKT, Maruti Suzuki and Fuji Kiko; our customers: Maruti Suzuki, Mahindra & Mahindra, Tata Motors, Honda, Hyundai, Fiat India, Toyota Kirloskar, General Motors, John Deere, Club Car, Ezgo 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, IndusInd Bank and State Bank of Hyderabad; and our employees for their continued support and confidence in the management. Finally, I would like to thank our shareholders for their firm belief in our capabilities and their continued support which has always motivated us to deliver better results year after year.



Sunjay Kapur  
Vice-Chairman & Managing Director

# BOARD OF DIRECTORS





Mr. Sunjay Kapur



Mr. Kiyozumi Kamiki



Mr. Hidekazu Omura



Mr. Ravi Bhoothalingam



Mr. P. K. Chadha



Lt.Gen.(Retd) SS Mehta

#### **PRESIDENT & COMPANY SECRETARY**

Mr. Sudhir Chopra

#### **EXECUTIVE MANAGEMENT**

Mr. Sunjay Kapur

Mr. Kiyozumi Kamiki

Mr. Sudhir Chopra

Mr. Sunder Rajan

#### **OPERATING MANAGEMENT**

Mr. Sunjay Kapur

Mr. Kiyozumi Kamiki

Mr. Sudhir Chopra

Mr. Sunder Rajan

Mr. A. D. Rao

Mr. Rajiv Chanana

Mr. R. Balaji

Mr. Vikas Marwah

Mr. H. Deiva Subramanian

Mr. G. R. Yadav

Mr. Sudhir Kumar Sharma

Mr. Akhil Kumar Jain

Mr. S. Senthil Kumar

Mr. Balakrishnan Ramasamy

Mr. Jaydeep Kumar

#### **TECHNICAL PARTNERS**

JTEKT Corporation, Japan  
Fuji Autotech AB, Sweden

#### **AUDITORS**

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

#### **INTERNAL AUDITORS**

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Golf View Corporate Tower-B, Sector 42,  
Sector Road , Gurgaon 122002 (Haryana)