



SHAPING A
BETTER FUTURE
THROUGH THE
SPIRIT OF
“**NO. 1 &
ONLY ONE**”

ANNUAL REPORT 2016 -17

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SHAPING A BETTER FUTURE THROUGH THE SPIRIT OF 'NO.1 & ONLY ONE'

An outcome of the Japanese wave that took the Indian automobile industry by storm back in the '80s, Sona Koyo Steering Systems now has a new address—JTEKT Corporation, Japan. At JTEKT, Japan, we have been consistent in delivering unique brand value to our customers and have upgraded our core competencies in the steering domain. Besides, our quest for excellence has made us create a strong organisational alliance that is unique and viable for the business. Over the years, we have put in enormous efforts to attain greater efficiencies and retain our position of being India's largest supplier of steering systems for passenger cars and utility vehicles. This has culminated in note worthy strategic changes being effected this fiscal. These changes were done keeping in mind the need for value-addition, quality, safety and profitability in the business. JTEKT, Japan, a leading and trusted supplier of automotive components, and already a partner of Sona Koyo Steering Systems, has now become its principal shareholder. This new development will help further consolidate Sona Koyo's position in the steering domain. It will also result in a concerted effort being made towards augmenting Sona Koyo's position in the field of technological know-how, and innovation, as well as to increase its business footprint. With JTEKT, Sona Koyo will be able to create new milestones and set quality benchmarks in terms of deliverables, R&D, policies and optimising existing procedures that will be at par with global standards. Sona Koyo will also build momentum towards creating safer vehicles, initiating cost-effectiveness, skill-development, creating steering systems par excellence, and being environmentally sustainable.

Sona Koyo's future growth momentum is in synergy with the JTEKT Group's vision of shaping a better future by embracing the mantra of being 'No. 1 & Only 1'.

The JTEKT Group's commitment to principles such as Customer First, Ownership, Continuous Kaizen, Teamwork & Self-discipline, and the Aspiration for innovation and techniques are all set to put Sona Koyo's steering business on a fast track.



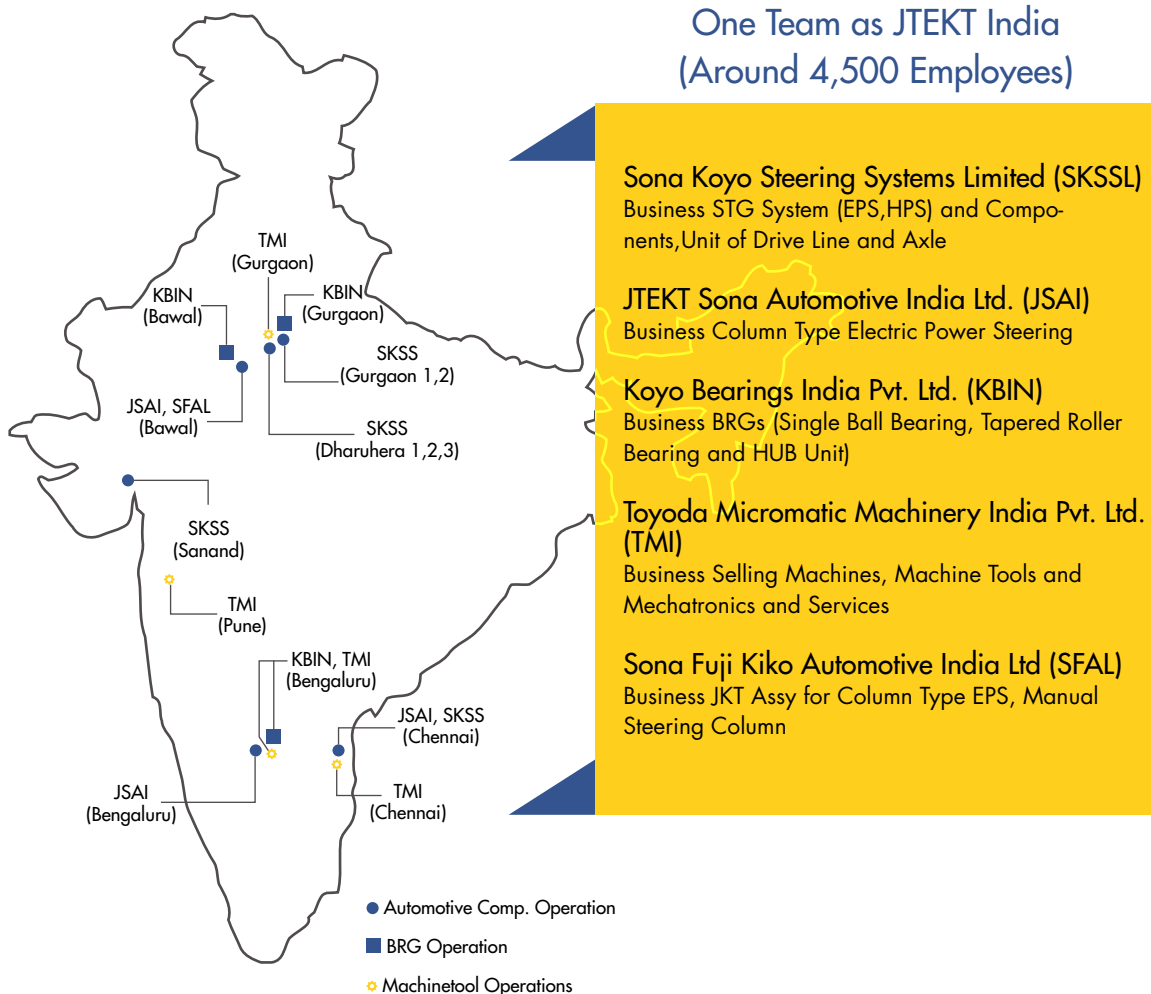
WE ARE SONA KOYO GOING THE JTEKT WAY

JTEKT INDIA

From this year onwards, we at Sona Koyo Steering Systems have embarked on an eventful and fruitful journey with JTEKT Corporation. Our bonhomie with JTEKT Corporation reflects our commitment to value-addition, quality control and the quest to roll out innovative products in the Indian market.

In terms of market focus, we are further consolidating our position as a leading name in the steering business domain in the utility vehicle (UV) and passenger vehicle (PV) segments, value-adding and upgrading to meet the ever-changing customer preferences. On the home front, we are enhancing our management efficiencies and laying greater emphasis on developing new business opportunities.

One Team as JTEKT India (Around 4,500 Employees)



ABOUT JTEKT

Incepted in 2006 by the merger of Koyo Seiko Co., Ltd., a world-class bearings manufacturer and Toyoda Machine Works, JTEKT Corporation (JTEKT) today flaunts an impressive portfolio of automotive components, bearings and machine tools. JTEKT is persistent in providing its customers with world-class products and innovation. In terms of technology, JTEKT has taken a lead in mass production of electric power steering systems and has managed to gain a big share in the global market. JTEKT is also Japan's first manufacturer of high-precision, durable bearings, that are able to perform well in extreme environments.



VISION

JTEKT vision is 'Shaping a Better Future' through the spirit of 'No.1 & Only 1'.

MISSION

JTEKT believes in teamwork to deliver quality products of high precision. The company's employees are committed and bear a keen sense of responsibility. JTEKT also focuses on skill development of its employees.

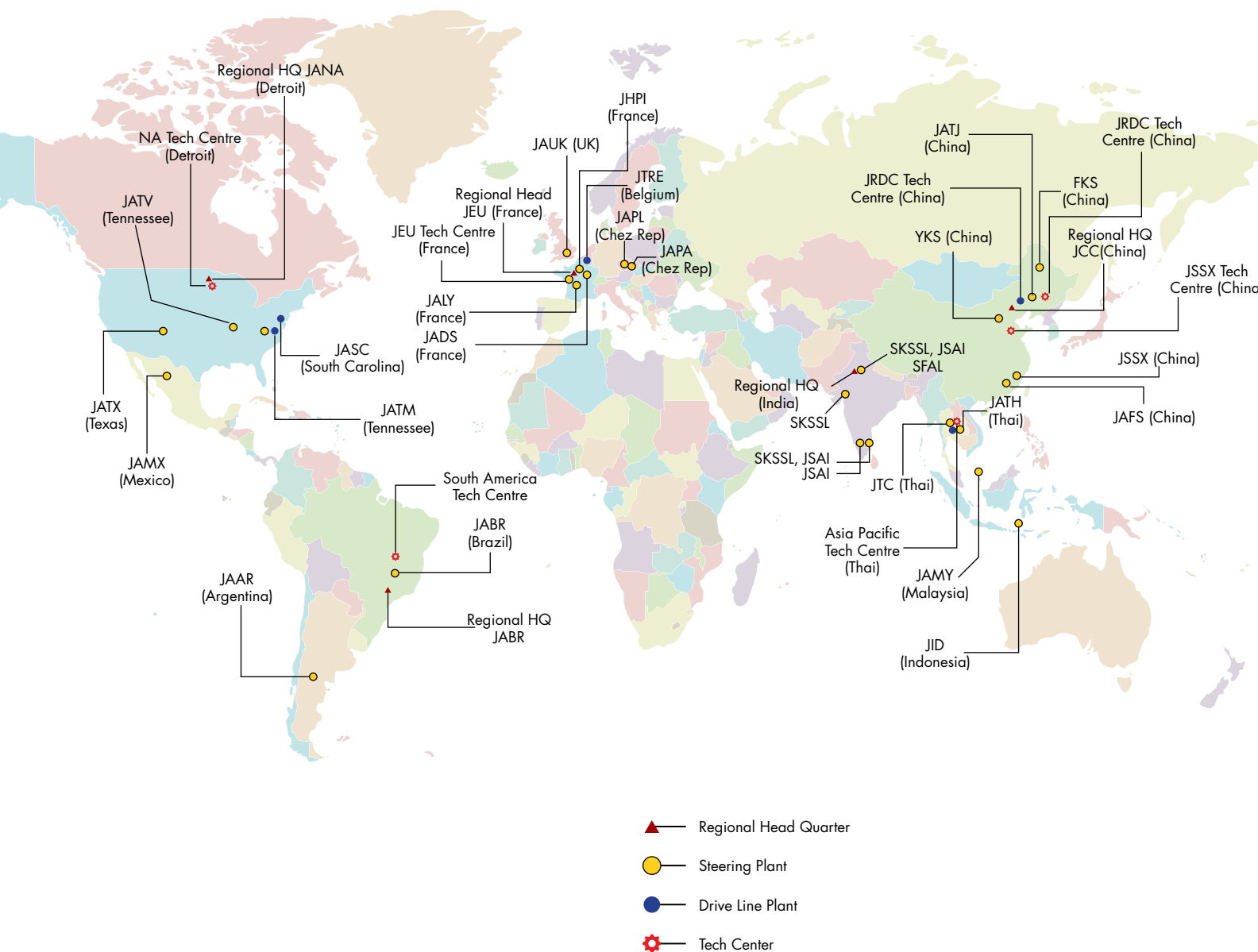
- ✧ **Build value:** JTEKT aims to add more value in its product line and services, and to align it with customer preferences.
- ✧ **Customer first:** JTEKT constantly incorporates technical know-how and upgrades its products to meet customer expectations.
- ✧ **Endorsing management efficiency:** JTEKT focuses on promoting management efficiencies and also to train professionals through various human resource (HR) initiatives, including through organising quality control (QC) activities.
- ✧ **Creating business opportunities:** JTEKT lays emphasis on creating business opportunities and further strengthening its position through innovation and creating products that are par excellence.
- ✧ **Continuous Kaizen:** JTEKT's belief system is in sync with the idea of continuous improvement.
- ✧ **Innovation and technology:** JTEKT unceasingly works towards enhancing technical know-how and innovation, thus aiming to give its products a 'Best Quality' tag.

At JTEKT Corporation, we inculcate the spirit of modesty among our people. This, in turn, helps us to learn from each other and to grow professionally and individually.

JTEKT CORPORATION GLOBAL PRESENCE

Worldwide, JTEKT dominates the domain of manufacturing and sale of steering systems, driveline components, bearings, machine tools, electronic control devices and home accessory equipment.

JTEKT's global footprint spans almost all continents. JTEKT has 133 global subsidiaries, including 37 in Japan, 24 in Europe, 14 in China, 12 in North America, and 7 in Central & South America. Asia Pacific, India and others account for 39 subsidiaries.



BUSINESS HIGHLIGHTS FY 2016-17

- ✧ We registered Sales growth of 8%, the highest in the last 5 years.
- ✧ We hold the position of India's largest supplier of steering systems in the PV segment.
- ✧ JTEKT, Japan, has now become our principal shareholder. This new development will help further consolidate our position in the Indian market by strengthening our technological know-how and innovation capabilities.
- ✧ Sona Koyo and its subsidiaries have now become members of the JTEKT Group.
- ✧ The company witnessed a change in leadership with Mr. Kiyozumi Kamiki being promoted to the post of Managing Director, Mr. Seiho Kawakami being given the seat of Additional Director and Mr. Sudhir Chopra taking the chair of Director (Corporate Affairs) & Company Secretary.
- ✧ The Company has now taken a huge plunge in optimising its offerings through value addition. It is working towards improving its existing supply chain, facilities, logistics and policies in order to remain in sync with JTEKT's philosophy. Keeping sustainability in mind, the company has also set a high environmental yardstick, which falls in line with JTEKT's value system.
- ✧ The company has caught the attention of many global OEMs for its innovative designs and technologies at 3 International Automechanikas held in Frankfurt, Dubai and New Delhi, this year.
- ✧ Fruitful synergies with JTEKT, Japan, in the areas of technological advancements and innovation will help broaden the company's customer base in unexplored territories, among many other benefits that will accrue to it, going forward.



FROM CHAIRMAN'S DESK



Dear Shareholders,

On behalf of Sona Koyo Steering Systems Limited, I extend my best wishes to all of you. I feel privileged to be associated with your esteemed organisation in the capacity of Chairman.

Your Company continues to be India's largest supplier of steering systems for passenger cars and utility vehicles. In FY'17, your Company registered its highest growth in the last 5 years. Your Company, on a standalone basis, reported 8% growth in revenue; sales increased to ₹11,542 mn in FY'17 as compared to ₹10,690 mn in FY'16. On a consolidated basis, Sona Koyo reported net sales of ₹15,646 mn compared to ₹15,090 mn in FY'16, registering a YoY growth of 3.7%.

The Financial Year 2017 was a historic one for your Company, as it witnessed many significant and strategic changes. The most important change was the increase in shareholding of JTEKT Corporation, Japan in Sona Koyo, which has resulted in a change of management control. Consequently, your Company and its subsidiaries have become members of JTEKT Group.

JTEKT has a comprehensive strategic partnership with your Company since its inception. JTEKT (erstwhile Koyo Seiko) became Technology Partner of Sona by providing its technology for Manual Steering Gear Systems in 1985, Hydraulic Power Steering Systems in 1996 and Column Electric Power Steering in 2004. Besides, your Company and JTEKT together formed 2 joint ventures, JTEKT Sona Automotive India Limited (51% JTEKT and 49% SKSSL) and Sona Fuji Kiko Automotive Limited (51% SKSSL and 49% JTEKT) in the year 2007.

JTEKT is a trusted system supplier of automotive components, bearings and machine tools, providing customers with world-class No. 1 products and technologies that has added value to the Indian automobile industry. It has pioneered the successful development and mass production of electric power steering systems, and continues to hold No.1 share in the global market today. JTEKT was also the first manufacturer in Japan to develop high-precision, durable bearings capable of reliable performance in extreme environments such as steel rolling mills, where temperature exceeds 1,200°C, thereby contributing to the expansion of various industries.

In May 2017, the leadership of Sona Koyo was reconstituted and I was elected Chairman of the Company, Mr. Kiyozumi Kamiki was elevated to the position of Managing Director, Mr. Seiho Kawakami was appointed as Additional Director, and Mr. Sudhir Chopra was elevated to the position of Director (Corporate Affairs) & Company Secretary. This was done to set in motion the process of extracting synergies available due to fusion of business models of Sona Koyo and JTEKT. We will strive to ensure smooth integration of best practices of both Companies to realise the integral value in this transformation.

The change in management of your Company will result in fruitful synergies in the field of technological advancement, innovation and will help in broadening customer base in unexplored territories, among many other benefits. During this transitional phase, your Company has got an opportunity to optimise and improve its existing procedures, policies and control environment by benchmarking it with the global practices followed by JTEKT.

The institutionalisation of this transformed culture will thus enhance the focus on safety and quality. Furthermore, it will help to inculcate JTEKT Group's vision, i.e., Shaping a better future through the spirit of "No. 1 & Only 1", in your Company. We have established the concept of JTEKT WAY in your Company. This includes focus on:

- Customer First
- Ownership
- Continuous Kaizen
- Teamwork & Self-discipline
- Aspiration for innovation and for techniques

Last year saw introduction of many reforms in India. The increase in JTEKT's stake was aligned to the vision of the current Government to

promote 'Make in India' & 'Ease of doing business' with a view to promote foreign investment inflow. In addition, progress on the Goods and Services Tax (GST) Act, the biggest tax reform in the country, is expected to simplify the existing complex structure and could result in revenue boost and cost reduction.

Interestingly, the Financial Year 2017 saw domestic sales of passenger vehicles (PVs) cross the 3-mn mark for the first time ever. The overall PV segment showed strong Year-on-Year (YoY) growth of 10.55% to reach 3.8 mn units. The high growth was driven by improved consumer sentiments post the Seventh Pay Commission payouts, normal monsoon following two successive years of deficit rainfall, lower financing costs, lower fuel prices and healthy replacement demand due to ban on diesel cars. Sona Koyo, on a consolidated basis, reported net sales of ₹15,646 mn in FY'17 compared to ₹15,090 mn in FY'16, registering a YoY growth of 3.7%.

The Society of Indian Automobile Manufacturers (SIAM) forecast has estimated 7% to 9% growth in domestic passenger vehicle sales during Financial Year 2018, buoyed by the 7th Pay Commission payout and better Rabi output. Moreover, the 7th Pay Commission announcement of wage hikes would provide a boost to consumer spending, which in turn, is expected to positively impact PV sales. Sona Koyo is well-positioned to make the most of the upcoming industry growth with the introduction of new products and realising the strong potential of its product in the domestic market.

I sincerely believe that your Company is destined to reach new heights with the right structure and integration of these two companies. There are multiple opportunities available in the current economy. The Indian economy is growing at a rapid pace and we sincerely believe in the potential it possesses. According to the research studies, India is expected to produce approximately 5 mn passenger vehicles in the year 2020. Outside India, JTEKT has presence in 23 countries through its 133 plants. Your Company is well-positioned to capitalise on opportunities arising from these unexplored geographies.

During the year, your Company participated in three International Automechanikas held at Frankfurt, Dubai and New Delhi. The designs and technologies exhibited at these exhibitions were well accepted by global OEMs. Thus, helping us to garner international recognition and establish a strong global foothold.

Your Company has a structured framework for corporate governance. The independent directors of the Company are celebrated professionals in their respective fields. With strong focus on compliance, in line with laws and regulations, they have guided the management in decision-making for ensuring efficiency of operations.

I take this opportunity to show my gratitude to our customers! At Sona Koyo, we are grateful to be of service to them: Maruti Suzuki, Mahindra & Mahindra, Tata Motors, Honda, Fiat India, Toyota Kirloskar, General Motors, John Deere, Club Car, Ezgo, ISUZU and Renault-Nissan India. I would also like to express thanks to our bankers, State Bank of India, Corporation Bank, Standard Chartered Bank, YES Bank, Kotak Mahindra Bank, Allahabad Bank, IDFC and IndusInd Bank for putting their confidence in us.

I thank the strength of Sona Koyo, all its employees, for continued support to the management. Finally, I would like to thank our shareholders for their firm belief in our capabilities and their continued patronage; they have always motivated us to deliver better results year after year.

The new Journey begins now!

Thank you

Yours sincerely

Hidekazu Omura
Chairman

BOARD OF DIRECTORS



Mr. Hidekazu Omura



Mr. Kiyozumi Kamiki



Mr. Sudhir Chopra



Mr. Toshiya Miki



Mr. Seiho Kawakami



Mr. Ravi Bhoothalingam



Mr. P. K. Chadha



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



Mr. Ramesh Suri



Mrs. Ramni Nirula



Mr. Prasan A. Firodia