

ANNUAL REPORT 2000



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. Yoshitaka Akiyama	Director (Manufacturing & Quality Assurance) (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

Collaborators

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

Liaison Office

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

Bankers

State Bank of India
ANZ Grindlays Bank
State Bank of Hyderabad
ICICI Bank Ltd.
Centurion Bank Ltd.
Banque Nationale De Paris

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

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NOTICE

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

Day : Friday
 Dated : 8th September, 2000
 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, 2000, the Balance Sheet as at that date and the Reports of Directors and Auditors thereon.
2. To note payment of dividend on shares.
3. To appoint a Director in place of Mr. J. M. Kapur, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr. K. Takeda, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint a Director in place of Mr. P. V. Prabhu Parriker, who retires by rotation and being eligible, offers himself for reappointment.
6. To appoint Auditors of the Company and fix their remuneration.

SPECIAL BUSINESS

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

"RESOLVED THAT Mr. A. R. Halasyam be appointed a Director of the Company, whose period of office would be liable to determination by retirement of Directors by rotation."

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

"RESOLVED THAT Mr. Yoshitaka Akiyama be appointed a Director of the Company, whose period of office would be liable to determination by retirement of Directors by rotation."

RESOLVED FURTHER THAT in accordance with the provisions of Sections 269, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the Central Government and such sanctions as may be necessary, the Company hereby approves the appointment of Mr. Yoshitaka Akiyama as Director (Manufacturing & Quality Assurance) of the Company for a period of four years with effect from 28th June, 2000 upon 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 hereby specifically sanctioned with liberty to the Directors to alter and vary the terms and conditions including as to remuneration for the said appointment and/or Agreement in such manner as may be agreed between the Directors and Mr. Yoshitaka Akiyama."

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

"RESOLVED THAT pursuant to the provisions of Section 31 and all other applicable provisions, if any, of the Companies Act, 1956 the Articles of Association of the Company be and is hereby modified and altered to the extent and in the manner as hereinafter stated :

- I) In Article 1, after the definition of the term "Debenture":

(A) following definitions be added:

Securities

"Securities" means shares, scrips, stocks, bonds, debentures, debenture stock or other marketable securities of a like nature and such other instruments as may be notified by the Central Government or the Securities and Exchange Board of India to be securities and rights or interest in Securities.

Sweat Equity Shares

"Sweat Equity Shares" means Equity Shares issued by the Company to employees or directors at a discount or for consideration other than cash for providing know-how or making available rights in the nature of intellectual property rights or value additions, by whatever name called.

- (B) the definition of the term 'Member' be substituted by the following:

"Member" in respect of dematerialised shares means the beneficial owner thereof, i.e., the person or persons whose name(s) is/are recorded as a beneficial owner in the Register maintained by a Depository under the Depositories Act, 1996 and in respect of other shares the person or persons whose name(s) is/are duly registered as a holder(s) of a share in the Company, from time to time, and includes the subscribers to the Memorandum of Association.

- II) Insert the following Article as Article 9A along with marginal note after Article 9 :

9A. Issue of Sweat Equity Shares

- a) Notwithstanding anything contained in Section 79 of the Act, the Company may issue Sweat Equity Shares of a class of shares already issued subject to the following terms and conditions namely :
 - i) the issue of Sweat Equity Shares is authorised by a Special Resolution passed by the Company in the General Meeting;

- ii) The said Resolution specifies the number of Shares, current market price, consideration, if any, and the class or classes of director(s) or employees to whom such Equity Shares are to be issued;
- iii) The Sweat Equity Shares of the Company are issued in accordance with the regulations made by the Securities and Exchange Board of India or any other authority under any other Act, as may be applicable for the time being in force;
- b) All the limitations, restrictions and provisions relating to the Equity Shares shall be applicable to such Sweat Equity Shares issued under sub-clause (a) hereinabove.

- III) Insert the following Article as Article 17A along with marginal note after Article 17:

17A. Purchase of own Shares or Securities

Subject to and in accordance with the applicable provisions of the Act, the Company shall have power to purchase its fully paid Shares or Securities, which purchase shall not be deemed to be reduction of share capital contemplated by Section 100 of the Act.

- IV) In Article 60 following paragraph be inserted at the end:

Notwithstanding anything contained hereinabove, when nomination had already been made in compliance with the provisions of Section 109A and 109B of the Act or any statutory modifications thereto, from time to time, the Board may transfer the Shares and/or Debenture or other securities issued by the Company in the name of the nominee(s) on death of the holder or the joint holders, as the case may be.

- V) Insert the following Article as Article 64A along with marginal note after Article 64:

64A Dematerialisation of Securities

(1) Definitions :

For the purpose of this Article :

'Depository' means a Company formed and registered under the Act and which has been granted a certificate of registration by SEBI under the Securities & Exchange Board of India Act, 1992.

'Beneficial Owner' means a person or persons whose name(s) is/are recorded in the Register maintained by a Depository under the Depository Act, 1996.

'SEBI' means the Securities & Exchange Board of India.

'Security' means such security as may be specified by SEBI from time to time.

(2) Dematerialisation of Securities

Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialise its existing securities, rematerialise its securities held in the Depositories and / or offer its fresh securities in dematerialised form pursuant to the provisions of the Depositories Act, 1996 and the rules framed thereunder, if any.

(3) Option for Investors

Every person subscribing to or holding securities of the Company shall have the option to receive security(ies) certificate(s) or to hold the securities with the Depository. Such a person who is the beneficial owner of the securities can at any time opt out of the Depository, if permitted by the law, in respect of any security in the manner and within the time prescribed, issued to the beneficial owner the required certificate of the securities.

If a person opts to hold his securities with a Depository, the Company shall intimate such Depository, the details of allotment of the security and on receipt of the information, the Depository shall enter in its records the name of the allottees as the beneficial owner of the securities.

(4) Securities in Depository to be in Fungible Form

All securities held by a Depository shall be dematerialised and be in fungible form. Nothing contained in Sections 153, 153A, 153B, 187B, 187C and 372A of the Act shall apply to a Depository in respect of the securities held by it on behalf of the Beneficial Owners.

(5) Rights and Liabilities of Beneficial Owner

- a) Notwithstanding anything to the contrary contained in the Act or these Articles, a Depository shall be deemed to be the registered owner for the purposes of effecting transfer of ownership of security on behalf of the beneficial owners.
- b) Save as otherwise provided in (a) above, the Depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the securities held by it.
- c) Every person holding securities of the Company and whose name is entered as the beneficial owner in the records of the Depository shall be deemed to be a member of the Company. The beneficial owner of securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities, which are held by a Depository.

(6) Service of Documents

Notwithstanding anything to the contrary contained in the Act or Articles, where securities are held in a Depository, the records of the beneficial ownership may be served by such Depository on the Company by means of electronic mode or by delivery of floppies or discs.

(7) Provisions of Articles to apply to shares held in Depository

Nothing contained in Section 108 of the Act or these Articles shall apply to transfer of securities effected by a transferor and transferee both of whom are entered as beneficial owners in the records of a Depository.

(8) Allotment of Securities dealt within a Depository

Notwithstanding anything in the Act or these Articles, where securities are dealt with by the Depository, the Company shall intimate the details thereof to the Depository immediately on allotment of such securities.

(9) Distinctive Numbers of Securities held in the depository mode

Nothing contained in the Act or these Articles regarding the necessity of having distinctive numbers on securities issued by the Company shall apply to securities held with a Depository.

(10) Register and Index of Beneficial Owners

The Register and Index of Beneficial Owners maintained by a Depository under the Depositories Act, 1996 shall be deemed to be the Register and Index of member and security holder for the purpose of these Articles.

- VI) Existing Article 158 be renumbered as Article 158(1) and after the Article 158(1) following Article 158(2) with marginal note be inserted:

158(2) Electronic Clearing System in case of Dividend

Any dividend declared may be paid by Electronic Clearing System through any Sponsor Bank after getting registration with the Reserve Bank of India for using this facility and collecting from the members necessary bank mandate in the prescribed format.

- VII) Reference to Section 370 and 372 of the Act appearing in Article 141(11) be replaced by the reference to Section 372A of the Act.

10. 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 immoveable and moveable 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 District Industries Centre, Haryana, State Bank of India and ANZ Grindlays Bank to secure:

- additional Interest Free Sales Tax Deferment Loan Facility of Rs. 932.62 lacs granted by District Industries Centre, Haryana;
- EPCG Facility of Rs. 463 lacs sanctioned by the State Bank of India;
- additional Working Capital Facility of Rs. 200 lacs sanctioned by the State Bank of India; and
- additional Working Capital Facility of Rs. 739 lacs sanctioned by ANZ Grindlays Bank;

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 District Industries Centre, Haryana, State Bank of India and ANZ Grindlays Bank 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 : 28th June, 2000

By Order of the Board

Sudhir Chopra

Company Secretary

NOTES

- 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.
- The Register of Members and Share Transfer Books of the Company will remain closed from Friday the 18th August, 2000 to Friday the 8th September, 2000 (both days inclusive).
- The Board of Directors in their meeting held on 30th March, 2000 had decided for the payment of Interim Dividend on 10% Cumulative Redeemable Preference Shares and at the rate of 25% on Equity Share Capital of the Company for the Financial Year 1999-2000. The said Interim Dividend was paid to the Shareholders whose names appeared in the Register of Members of the

Company on 16th May, 2000 (being the 'Record Date'). At the Board Meeting held on 28th June, 2000, the Board has decided to recommend the shareholders to treat the said Interim Dividend as Final Dividend. Accordingly, shareholders are requested to note the payment of Interim Dividend paid on the shares of the Company. (Refer Item No. 2 of the Notice).

- 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 'Investors 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 1995-1996 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 25th August, 2000.
- 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. 7

Mr. A. R. Halasyam, Director (Finance) of Maruti Udyog Limited, was appointed as a Director of the Company on 23rd June, 1998 to fill the casual vacancy caused due to the cessation of Mr. G. V. N. Sastry, Nominee of Maruti Udyog Limited, as Director of the Company. Mr. G. V. N. Sastry, was due to retire at this Annual General Meeting. The notice under Section 257 of the Companies Act, 1956 had been received from a member signifying his intention to propose the appointment of Mr. A. R. Halasyam as Director of the Company. Having regard to his knowledge and experience, the Board considers that the appointment of Mr. A. R. Halasyam as a Director of the Company will prove beneficial to the Company.

Except Mr. A. R. Halasyam none of the Directors of the Company is concerned with or interested in this resolution.

The resolution is accordingly recommended for members' approval.

Resolution No. 8

The Company's Collaborator viz. Koyo Seiko Co., Ltd., Japan (KOYO) had nominated Mr. T. Masuda a Japanese National as Resident Technical Director of the Company for a period of four years with effect from 25th November, 1997 to assist your

Company on the technical front. Mr. T. Masuda has ceased to be on the Board of your Company with effect from 28th June, 2000.

In place of Mr. T. Masuda KOYO has now nominated Mr. Yoshitaka Akiyama a Japanese National as Director (Manufacturing & Quality Assurance) on the Board of your Company. Mr. Yoshitaka Akiyama is a Bachelor in Mechanical Engineering from Ehime University, Japan and has working experience of over 30 years in Manufacturing and Production Engineering Departments of KOYO in Japan and overseas. The Board of Directors of the Company in their meeting held on 28th June, 2000 has co-opted Mr. Yoshitaka Akiyama as an Additional Director and appointed him as Director (Manufacturing & Quality Assurance) with the following remuneration for a period of four years effective from 28th June, 2000 :

i. Remuneration

- (a) Salary - Rs. 50,000/- (Rupees fifty thousand only) per month.
- (b) Perquisites - Perquisites shall be restricted to the following :

PART - A

- i) **Housing** - The expenditure by the Company on hiring accommodation for the said Director will be subject to the following ceilings:-
 - Rent upto Rs. 50,000/- per month.
 - Onetime expense by the Company on account of furniture upto Rs. 1,50,000/-.
 - Two hired Air Conditioners.
- ii) **Medical Reimbursement**
Reimbursement of expenses incurred by the Director and his family on actual basis.
- iii) **Leave Travel Concession**
For Director and his family, twice in a year incurred in accordance with the Rules specified by the Company.
- iv) **Personal Accident Insurance**
Premium not to exceed Rs. 4,000/- per annum.
- v) **Other Allowances**
Upto a ceiling of Rs. 8,500/- per month.

Explanation : For the purposes of this part 'family' means the spouse and dependent children of the appointee.

PART - B

- i) Gratuity not exceeding half a month's salary for each completed year of service subject to a ceiling of Rs. 1,00,000/-.
- ii) Contribution to Provident Fund, Superannuation Fund or Annuity Fund will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.

PART - C

- i) Provision of chauffeur driven Company's 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 purposes of calculating the said ceiling.

- ii) In the absence or inadequacy of profits in any financial year, the Director (Manufacturing & Quality Assurance) may be paid remuneration by way of salary, perquisites and other allowances not exceeding ceiling limit of Rs. 13,62,000/- (Rupees thirteen lacs sixty two thousand only) per annum or Rs. 1,13,500/- (Rupees one lac thirteen thousand five hundred only) per month and in addition thereto the perquisites not exceeding the limits specified in Section II of Part II of Schedule XIII of the Companies Act, 1956 and the reimbursement of medical expenses on actual basis.

- II. The Agreement is for a period of four years with effect from 28th June, 2000 which may be terminated by either party giving the other party six months' notice.
- III. Mr. Yoshitaka Akiyama shall not be entitled to supplement his earnings under the Agreement with any buying or selling commission. He shall also not become interested or otherwise concerned directly or through his wife and/or minor children in any selling agency of the Company, without the prior approval of the Central Government.

Except Mr. Yoshitaka Akiyama 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 Mr. Yoshitaka Akiyama pursuant to Section 302 of the Companies Act, 1956.

The resolution is accordingly recommended for members' approval.

Resolution No. 9

The Companies Act, 1956 (hereinafter referred to as 'Act') has been amended from time to time. In order to make the Company's Articles in line with the provisions of the amended Act, it is desirable that the Articles of Association of the Company should be amended accordingly, as set out in the resolution. The proposed alterations in Articles of Association are in respect of the following :

- a) Item 9(I) is to define the terms "Securities" and "Sweat Equity Shares" and to re-define the term "member" in the Articles of Association.
- b) Item 9(II) is for Issue of Sweat Equity Shares by the Company, as stipulated in the respective proposed Article.
- c) Item 9(III) shall empower the Company to buy-back its own Shares or Securities as authorised by and in accordance

with the provisions contained in the Act and / or rules/ regulations etc. , made thereunder.

- d) Item 9(IV) is regarding Nomination Facility as provided by Sections 109A and 109B of the Act.
- e) Item 9(V) is in respect of the addition of new Article No. 64A in Article of Association of the Company for Dematerialisation of Share or Securities of the Company, as introduced by the Depositories Act, 1996.
- f) Item 9(VI) is for authorising the Company to pay Dividend by Electronic Clearing System.
- g) Item 9(VII) propose to replace the reference of Sections 370 and 372 mentioned in the Article 141(11) of the Articles of Association with the reference of Section 372A of the Act as with effect from 31st October, 1998, Sections 370 and 372 have been put out of force and new Section 372A has been incorporated to deal with the transactions relating to inter corporate loan, guarantee and investment.

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

Your Directors recommend the Special Resolution for approval of the members.

Resolution No. 10

The Institutions / Banks referred to in the resolution have granted the Interest Free Sales Tax Deferment Loan Facility, EPCG 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 provision of Section 293(1)(a) of the Companies Act, 1956.

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

Inspection of Documents

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

Place : Registered Office
Indraprakash (12th Floor)
21, Barakhamba Road
New Delhi - 110 001
Dated : 28th June, 2000

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, 2000.

Performance

	1999-2000 Rs./Lacs	1998-99 Rs./Lacs
Sales and other Income	22957	15702
Profit before Interest & Depreciation	2671	1964
- Interest	758	660
- Depreciation & Write Offs	756	647
Profit before Tax	1157	657
Less : Provision for Tax	250	84
Profit after Tax	907	573
Add : Profit brought forward	37	82
Profit available for appropriations	944	655
Appropriations		
Provision for Prior Year Taxation	—	98
Premium on restructuring of loan	24	—
Prior Period Interest Written Off	47	—
Interim / Proposed Dividend	269	198
Tax on Dividend	29	22
Transfer to General Reserve	400	300
Balance Carried Forward	175	37
	944	655

Dividend

The Board of Directors in their meeting held on 30th March, 2000 had decided for the payment of Interim Dividend on 10% Cumulative Redeemable Preference Shares and at the rate of 25% on Equity Share Capital of the Company for the Financial Year 1999-2000. The said Interim Dividend was paid to the Shareholders whose names appeared in the Register of Members of the Company on 16th May, 2000 (being the 'Record Date').

At the Board Meeting held on 28th June, 2000 the Board has decided to recommend the shareholders to treat the said Interim Dividend as Final Dividend.

Year Under Review : F - 2000

The year F-2000, witnessed the highest ever increase in Sales of 46.20% over last year to Rs. 230 crores crossing the Rs. 200 crores mark. Profit before Tax increased by 76.10% to Rs. 11.57 crores, while Profit after Tax increased 58.29% to Rs. 9.07 crores. Sales of Passenger Car and Utility Vehicles increased by 46.43% to 747,000 units. This increase comes at the end of a stagnant market of two years. It is expected that the market will continue to grow at 11%-13% per annum for the next three years. In view of the high installed capacity of 1.2 million units, already in place, the market is expected to be very competitive.

During the year, major initiatives to create at SONA a World Class Quality Management Team continued. The TQM programme, under the guidance of Prof. Tsuda of JUSE reached a critical stage of implementation of Policy Deployment Methodology. The TPM programmes commenced under the guidance of Mr. Yamaguchi of JIPM, to help SONA to improve operational efficiency on the Shop Floor. The first major IT initiative by procuring the Collaborative Product Commerce Solution "Windchill", to aid the faster development of new products was undertaken.

During the year, SONA increased its customer base by supplies to TOYOTA. From a single customer MARUTI, the market leader, and SONA's major customer, today MARUTI, HYUNDAI, TOYOTA, TELCO, MAHINDRA, FIAT and LANCER have become customers, for various products.

SONA was awarded MARUTI's "Best Vendor Award", in the category of Steering and Suspension Component, by Mr. O. Suzuki, President of Suzuki Motors Corporation, Japan.

The Company's Secretarial & Legal Department was accredited with an ISO 9002 certification.

Current Year : F - 2001

The Passenger Car and Utility Vehicle Sector is expected to show an increase of about 12% in the current year and the GDP growth is estimated to be 7%. The initial period pile up of inventory at dealers of these vehicles, as reported in the press, and the sales tax equalization, is likely to create some concerns for the industry, but with the signs of good Monsoon and continued 'feel good' factor on the Stock Exchange, is expected to ensure a growth for this sector of the economy.

It is expected that the automobile policy, to be announced soon, will benefit the component manufacturers due to localization pressure on the OEM's. SONA will see its volumes improve and is targeting to achieve a turnover of Rs. 260 crores.

Financing

Last year, your Directors had given a mandate to the Company's Management to reduce the debt equity ratio from 0.83:1 to 0.45:1 in 3 years. The Board is happy to report that at the end of this year, the debt equity ratio is down to 0.52:1. However, the current year (2000-2001) is likely to be a much tougher year and the competitive pressures are likely to bring about structural changes in the industry.

In the year under review, the entire capital investment of Rs. 906.70 lacs has been funded from internal accruals and no fresh loans have been raised for this purpose. The Company has received Preference Capital of Rs. 10 crores from its collaborators M/s. Koyo Seiko Co., Ltd., Japan and the entire proceeds have been used to pre-pay high cost debts to reduce the interest burden on the Company.

Y2K Compliance

The Company has a successful transition into the new millennium without facing any problem on Y2K account, both in IT area as well as embedded chips in all types of machines. The Company has already rectified all its applications to overcome any future Y2K related issues.

Listing

The securities of your Company are listed at Delhi, Mumbai, Calcutta, Ludhiana, Bangalore and Ahmedabad Stock Exchanges. The Company has paid the listing fee due to them.

Human Resources

The Company has initiated workplace audit programme. This would help to enhance employees' commitment and motivation-improve quality of Company's product and services. Simultaneously, the Company has also been training its employees extensively in Quality Systems which will ensure attainment of QS 9000 certification by the year end.

Group Companies

1) Mahindra Sona Ltd.

Mahindra Sona Limited (MSL) manufactures Driveline Components and Systems for the Automotive Industry mainly for commercial and utility vehicles. During the year 1999-2000, total income of MSL grew by 15% to Rs. 4256 lacs as against Rs. 3697 lacs in the year 1998-99. MSL has been successful in securing long term export orders valued at US\$ 3 million per annum. Supplies against these orders commenced during 1999-2000. Export sales climbed to US\$ 250,000 in 1999-2000 (1998-99 - US\$ 75,000).

MSL expects substantial growth in export sales and income in the current financial year.

2) Sona Somic Lemforder Components Ltd.

Sona Somic Lemforder Components Ltd. is a tri-partie Joint Venture between Sona Koyo Steering Systems Ltd., Somic Engineering Inc., Japan and ZF Lemforder Metallwaren AG, Germany to manufacture Ball Joints and Suspension Components. The Company's current customers are Sona Koyo Steering Systems Ltd., Maruti Udyog Ltd., Honda Siel and Toyota. Very soon the Company will also start supplying to Mahindra & Mahindra.

To meet the increased demand of its customers, Company is presently engaged in expanding its existing capacity from 18,00,000 nos. of Ball Joint to 27,00,000 nos. of Ball Joints. The expansion project will be completed by July, 2000.

The sales for F-2000 are likely to be Rs. 1725 lacs (1998-99 - Rs. 1350 lacs) and the projections for next year is Rs. 2744 lacs.

During the year, the Company has been awarded the "Best Suppliers Award" by Honda Siel for on time delivery of products.

3) Sona Cold Forgings Ltd.

Sona Cold Forgings Ltd., one of our Group Companies, is supplying Quality Cold Forgings to Group Companies along with other Auto Part Makers.

After the initial set back due to inadequate support from Collaborator, the Company has developed parts with indigenous technology and dies. The Company has developed parts for Auto Electrical and Fuel Injection Section, in addition to Steering and Ball Joint Components for Sona Group Companies. It is supplying parts to reputed customers like Denso India Ltd. and Shriram Fuel Injection Industries.

As an effort to widen its customer base, the Company has developed part for TVS Suzuki Ltd., Auto Ignition Ltd., Omni Auto Ltd. and Brakes India Ltd. This is in addition to developing parts for Group Companies with end customers like Maruti Udyog Ltd., Toyota Kirloskar and Mahindra & Mahindra.

The Company envisages sales of Rs. 781 lacs for the financial year ending September 2000, with cash break even. The forgings manufactured by the Company have been appreciated by the customers. The future looks encouraging and capacity expansion would be required next year.

4) Sona Okegawa Precision Forgings Ltd.

Sona Okegawa Precision Forgings Ltd. (SOPFL) is a Joint Venture between Sona Koyo Steering Systems Ltd. and Mitsubishi Materials Corporation, Japan for the manufacture of Precision Forgings and commenced its commercial production of Bevel Gears in November, 1998. In the very first full year of its operations, SOPFL has recorded impressive results by achieving sales turnover of Rs. 1245.48 lacs and registered the Net Profit of Rs. 32.86 lacs.

For the next year, the Company has targeted its sales to Rs. 2841.93 lacs.

Fixed Deposits

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

Directors

The Board of Directors in their meeting held on 23rd June, 1998 had appointed Mr. A.R. Halasyam as a Director to fill the casual vacancy caused by cessation of Mr. G.V.N. Sastry, Nominee Director of Maruti Udyog Ltd. In terms of Company's Articles of Association, Mr. A.R. Halasyam shall hold the office upto the date of the forthcoming Annual General Meeting.