



## **SONA KOYO STEERING SYSTEMS LIMITED**

**Regd. Office : UGF-6 Indra Prakash, 21, Barakhamba Road, New Delhi 110 001.**

### **CHAIRMAN'S STATEMENT**

Ladies & Gentlemen,

On behalf of the Board of Directors and my own, I welcome you all to the Financial Year 2005 Annual General Meeting of Sona Koyo Steering Systems Limited. The notice convening this meeting, the audited accounts of SONA, along with the Directors' Report have been with you for some time and with your permission, I take them as read.

I truly appreciate you having taken the time to be with us this morning.

#### **SONA's MARCH TOWARDS GLOBALIZATION**

I am pleased to share with you Sona's strategy for globalization, based on a McKinsey Globalization Model for Indian Manufacturing Companies.

The model has three pillars:

- A. Global Mind-Set
- B. Operational Excellence
- C. Front End

#### **A. Global Mind-Set**

We are creating a global mind-set within the organization, which we have done by our announcement of Sona's Vision 2010 of becoming a "Supplier of Choice" to global customers. This has been communicated throughout the organization and a detailed road map has been prepared for the whole organization. In the year F-05, Sona was able to take the first step in servicing customers globally by increasing its sales in the overseas market from merely Rs. 5 crores to Rs. 25 crores to customers in North America, Europe and South East Asia, for end-use in passenger cars, utility vehicles and off-highway vehicles. To supply to the overseas markets, Sona has commissioned in Chennai a 100% Export Oriented Unit with an initial investment of Rs. 18 crores. This E.O.U. was inaugurated on 29<sup>th</sup> November, 2004 and, in the current year, additional investment of Rs. 2.6 crores is being made. This E.O.U., I believe, is one of the best automotive components manufacturing facility out of India, and will help support Sona's overseas markets.

Sona is strengthening its research & development, and new product development processes. These two areas are being strengthened and improved so that the time to market is reduced substantially. We are also in the process of setting up a Virtual Development Center so that we can utilize the Indian IT and Engineering strengths, to further improve the lead time of new product development.

#### **B. Operational Excellence**

Secondly, our strategy is to continuously improve Sona's operational efficiencies, through continuous improvement i.e. 'Kaizen', which creates a culture of small improvements through experimentation in every process in the organization. I believe that Deming Award last year is a testimony to Sona having achieved this in our operations. We will ensure continuous improvements and upgradation of processes within the organization. There are still a few areas where Sona needs substantive improvements and these are mainly in the Supply Chain and Logistics areas for which detailed road maps have been made for upgradation and are under implementation.

#### **C. Front End**

The third part of Sona's strategy has been to be near the customers.

To cater to customers in the largest automotive market viz. North America, I am happy to announce that Sona Group is setting up a US-based marketing and servicing Company that will service Sona's customers. The Company is under incorporation and the General Manager Mr. Scott Holzworth has been

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appointed. I believe that the new company will extensively support and expand our customer base in North America.

Finally, the first initial step into the European Market was made by investing 21% equity in Fuji Autotech France SAS at the invitation of Koyo Seiko Co., Ltd., Japan and Fuji Kiko Co., Ltd., Japan, with the objective of understanding the European Market and outsourcing the components manufacturing from Europe to India by Sona and Sona's vendors. In Fuji Autotech France SAS, we are participating of the management through our representative Mr. Balaji Ranganathan being positioned as Vice President.

### **SONA's EXPORT TARGET**

For your information our target is to double our sales to overseas markets from Rs. 25 crores to Rs. 50 crores this year and we have a target to achieve sale of Rs. 100 crores in the year after. This is becoming possible because the strategy as enumerated above.

I, believe that Indian automotive component manufacturers including Sona can truly become global suppliers, however, the government must take concrete steps to improve the infrastructure to international levels for roads, ports, power etc. and, secondly, must rapidly introduce labour reforms and allow companies to operate flexibly as is the practice globally. If there is a delay, this will impact Indian suppliers' competitiveness and overseas customers are not willing to wait for Indian Internal issues to resolve themselves, and will rapidly change sources to other low cost country suppliers.

### **THE CURRENT YEAR**

In the first quarter of the current financial year, Sona has seen sales increasing by 26% to Rs. 76.9 crores as compared Rs. 60.9 crores. We are presently on track to realize our full year budgeted sales of Rs. 350 crores, which is a 17% growth over the last year sales of 297 crores.

Our profits could not keep the same growth pace as sales. The first quarter Profit after Tax is Rs. 2.79 crores compared to Rs. 2.39 crores of last year's first quarter. This was on account of continuing support to our overseas customer for their enhanced requirement by air freight to the tune of Rs. 1 crore which, otherwise, would have been added to the bottomline. This is a one-time cost, and since we are gearing ourselves to meet their full requirements, we expect to improve our operating margins consequently.

### **ACKNOWLEDGEMENT**

I wish to place on record our sincere thanks to our main customer and partner Maruti Udyog and Koyo Seiko Co., Ltd. Also thanks to Toyota Kirloskar Motors, Mahindras, Hyundai Motors (India), Hindustan Motors, Tata Engineering and Eicher Motors for their business support.

My deep gratitude to the members of SONA Parivar, for their dedication in making SONA a strong enterprise, and to our Vendors, Bankers and Financial Institutions for their support.

Finally, my sincere thanks to my colleagues on the Board for their valuable advice and to you, our esteemed shareholders for your confidence in the management of the Company.

Thank you,

**Dr. Surinder Kapur**  
**Chairman & Managing Director**

**Note : This does not purport to be a record of the proceedings of the Annual General Meeting.**

**Speech of Dr. Surinder Kapur, Chairman & Managing Director  
on the 21<sup>st</sup> Annual General Meeting of Sona Koyo Steering Systems Limited,  
held at, Air Force Auditorium, Subroto Park, New Delhi 110 010 on 19<sup>th</sup> July, 2005.**