

SONA KOYO STEERING SYSTEMS LIMITED

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

CHAIRMAN'S STATEMENT

Good morning! Ladies & Gentlemen,

On behalf of the Board of Directors, I welcome you all to the Financial Year 2009-10 Annual General Meeting of Sona Koyo Steering Systems Limited. The notice convening this meeting, the audited accounts of the Company, along with the Directors' Report have been with you for some time and with your permission, I take them as read.

I would like to take this opportunity to thank you for taking time off from your busy schedules to join us here today.

As anticipated, India and China are leading the Global economic recovery. While the world economy shrunk to 3.75% the Chinese and Indian economies grew by 11.9% and 7.4% each respectively. Several governments around the world announced stimulus packages to help their economies. The pumping in of money, fiscal packages and bail outs all helped slowly turn around markets and consumer sentiment. The US Government is faced with one of its largest deficits ever. Unemployment figures in the US, Europe and Japan are still considerably high – even though some of their governments have declared that their countries are out of recession.

While the world economy continues to find its footing, India has moved forward with bold steps in 2009-10 across a number of sectors. A relatively stable Government at the centre helped to create favourable conditions for industry in general and the automobile sector in particular. A combination of different incentives offered by the Government of India and access to easy finance and the demand vacuum created during the turbulent times of FY09 led to a sudden spurt in demand in the automobile market during FY10 resulting in one of the best ever year in terms of growth registered by the sector. The market finally closed with a sale of 12.29 million vehicles of which 1.9 million were in the passenger car segment – A 25% growth affecting both top and bottom line growth of the passenger car and auto component industries. The negative sentiments which prevailed for most of the FY09 were shaken off by the retail consumer in FY10. Similar trends were seen in the exports from India which grew by 33% mainly because all major global OEMs based in India have increased their export targets.

Input costs themselves remained stable during the year, with some minor increases, steel prices are up by 20% as compared to base price level of Jan'08. Oil prices remained favourable throughout FY10, touching a maximum of US \$ 81/barrel in contrast with a peak of US\$ 152/ barrel in FY09. This ensured that power and freight costs remained in control. On the financial front, the Rupee grew stronger viz a viz the US Dollar and Japanese Yen with rates holding reasonably stable during the year.

The world automobile market has seen several interesting developments. The US Government's "Cash for Clunkers" scheme has had a direct impact on their automobile industry. Funding clubbed with environmental consciousness has propelled the market for small and midsize vehicles both in the US and across the globe. A leaner and more competitive General Motors has emerged after its bankruptcy proceedings. Ford Motor Company which teetered on the brink of bankruptcy has pulled itself together. These companies are looking at their global subsidiaries to bring smaller and more fuel efficient cars to the US. The Volkswagen – Suzuki combine has turned into a power house in the small and midsize automobile market. The other European players are also slowly showing signs of recovery and growth even though in small numbers. The Toyota Motor company has declared that it will return to profitability in 2011. Much of this growth is expected on the back of frugal engineering, efficiency and technological excellence. The world is therefore looking at small cars and India in a different light and herein lies the opportunity.

While it is my dream to see your Company partnering a global platform of over a million vehicles in the mid to long term future, the opportunities around us today are of sufficient value. We have seen several new models being introduced in the Indian market by Maruti Suzuki, Ford, VW, GM and the Toyota small car is waiting in the wings. The emergence of small utility vehicle segments with players such as Ace & Gio have opened up a whole new array of opportunities. Though an entry into the current commercial vehicle market still eludes us, we are making progress. We are part of projects for much larger new generation commercial vehicles. A segment that we believe is bound to grow and flourish, on the back of greater demand for goods & passenger movement and an improving infrastructure.

DIVIDEND

The year 2009-10 has been good at Sona Koyo Steering Systems Ltd. and its subsidiaries. We have witnessed a consolidated top line growth of 23.2% from Rs. 6920 Million to Rs. 8528 Million and consolidated PAT stands at Rs. 158 Million as against a loss of Rs. 316 Million last year.. While at Sona Koyo the growth has been from Rs. 6931 Million to Rs. 8503 Million a 22.7% growth in the top line while PAT stands at Rs 216 Million up from a loss of Rs. 310 million last year.

In view of returning to profitability, your Board of Directors have recommended a dividend of Rs. 0.30 per Re. 1/- share

SONA'S GROWTH PLANS

We remain true to our basic beliefs i.e. "Respect for the Individual", "Service to the Customer" and "Excellence in the Pursuit of our Goals," which are the foundation upon which the culture of Trust is being built in Sona. We continue to use the tools of TQM/TPM/TPS/TOC to remain competitive in our quality. Sona's learning of breakthrough Management techniques is guiding the R&D to explore new product and process.

Under my Chairmanship, a "Management Board", has been created, led by Mr. Sunjay Kapur as Vice - Chairman & Managing Director and the other members being Mr. Kiran Deshmukh, Deputy Managing Director, Mr. Sunder Rajan, Chief Executive Officer, Mr. Sudhir Chopra, President - Legal and Mr. Fujimoto, Senior Vice President. The JTEKT representative Mr. Ijiri is also invited to participate in weekly meetings of the Management Board.

On the subject of subsidiaries, JTEKT Sona Automotive India Ltd. (JSAI) and Sona Fuji Kiko Automotive Ltd (SFAL) went into commercial production from 1st February, 2010 and 1st Nov 2009 respectively. Arjan Stampings Ltd. continues to be in the process of consolidation of its production while AAM Sona Axle Pvt Limited, JV, went into commercial production on 21st October 2009.

Your Company's investment in R&D has borne fruit with the commercialization of the EPAM (Electronic Power Assist Module) developed for off highway applications. Your Company also received an international patent for "Torque Sensor for Electric Power Steering System". This too has immense commercial opportunities which your Company is exploring.

SOCIAL RESPONSIBILITY

The Sona Group has kicked off a major exercise to map its carbon and water footprints. Sona Koyo has set a target of 5% reduction in its energy consumption, a 10% cut in carbon emissions and a 55 cut in water consumption. Detailed action plans have been put in place which is being monitored periodically.

Our intervention at the ITI Nagina continues to throw up education and employment opportunities for unemployed youth. The Institute has set up a centre of excellence under the guidelines of the Government of Haryana and is currently training over 150 students. In the last three years we have had a placement record of 64.5%.

THE CURRENT YEAR

The first quarter of the current year has given us reason to be optimistic. Net Sales now stand at Rs. 216.45 crores as compared to Rs.187.07 crores and PAT stands at Rs.5.5 crores as compared to Rs 0.86Crores during the corresponding period in previous year.

ACKNOWLEDGEMENT

I also wish to place on record our sincere thanks to our main customer and partner Maruti Suzuki, to JTEKT Corporation (formerly Koyo Seiko Co., Ltd. Japan) for their continuous technical and management support. Thanks are also due to Toyota Kirloskar Motors, Mahindra & Mahindra and their new partner Renault-Nissan, Hyundai Motors (India), Hindustan Motors, TATA Motors, Ford India and General Motors for their continuing business support and increasing confidence in your Company and its products.

My deep gratitude to the members of SONA Parivar, for their dedication in making SONA a robust and respected enterprise, and to all our partners viz. Vendors, Bankers, and Investors for their ongoing support.

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

Thank you

Dr. Surinder Kapur
Chairman

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

Speech of Dr. Surinder Kapur, Chairman
on the 26th Annual General Meeting of Sona Koyo Steering Systems Limited,
held at Air Force Auditorium, Subroto Park, New Delhi 110 010 on 27th July, 2010.