



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 2007 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 truly appreciate you having taken the time to be with us this morning.

BONUS ISSUE & PREFERENTIAL SHARES

As approved by you in the last Annual General Meeting, the Company has allotted 43,967,000 nos. Equity Shares of Rs. 2/- each as 'Bonus Shares' in the ratio of 1:1 to the shareholders of the Company.

I have great pleasure in informing you that during the year the Board of Directors of your Company has allotted 4,396,700 Equity Shares of Rs. 2/- each at a premium of Rs. 65.10 per Equity Share to the foreign collaborator and promoter group on preferential basis. Besides this, the Board has also allotted 7,040,216 convertible warrants to the foreign collaborator and the promoter group. These warrants are convertible into Equity Shares of Rs. 2/- each at a premium of Rs. 65.10 per share. Out of warrants issued, 4,616,535 warrants have already been converted into Equity Shares during the month of April, 2007. The balance warrants are convertible into Equity Shares during the month of April, 2008.

DIVIDEND

Your directors take pleasure in recommending a dividend of 35% on Equity Shares (post bonus and preferential allotment) of the Company for the financial year 2006-07 amounting to Rs. 67.86 million compared to Rs. 43.97 million last year.

SONA'S GROWTH PLANS

As mentioned during my speech last year – our growth plans continue to be aggressive. I am happy to announce that the investment plan of Rs. 400 crores, that was announced earlier, is on track.

The Daruhara plant has commenced production and we are in the process of acquiring land for a manufacturing units in Uttaranchal.

All the above is keeping in line with our strategy, that I announced in 2005, of being close to our customers.

SONA FOCUS ON TECHNOLOGY

The passenger car continues to adopt ever increasing use of electronics, to make the car more safe and efficient. The electronic power steering (EPS) is becoming popular. You will be happy to know that the only indigenous producer of EPS today is Sona Koyo Steering. Last year we had sales of Rs.200 crores from EPS alone.

We have also made investments in R&D and have two exciting projects in the pipeline. One is our own version of the electronic power steering, for off-highway applications called EPAM (Electric Power Assist Module) and the other is a joint development with IIT Mumbai called Steer-by-wire. We will be showing you video recordings of both at the end of this update.

SONA'S GLOBAL FOOT PRINT

Going back to the strategy I announced in 2005, where I stated that your Company's Vision is to become a 'Supplier of Choice' for global customers.

Keeping this in mind we set up our EOU in Chennai in 2004 and took up a stake in Fuji Autotech Europe in 2005 as one of the first steps in establishing our global footprints. I am happy to announce that in continuation of our strategy, we have established Sona Autocomp Europe to provide logistics services to European customers.

Last year Exports grew marginally to Rs. 55 Crores from Rs. 50 Crores. This is primarily due to the postponement of some vehicle launches by potential new customers. These lost revenue streams will be realized this year. In 2007 our export target is an ambitious Rs.90 crores. To achieve this goal we have also set up a Strategic Business Unit, to leverage on our global partnerships with JTEKT and Fuji Kiko to become the preferred Tier II supplier of Steering Systems, sub-assemblies and steering components.

Sona Koyo is now present in the French, Czech and Brazilian market through Fuji Autotech Europe and therefore has greatly improved access to European and Latin American markets.

We are also committed to enhancing our product design capabilities to provide complete steering solutions as a Tier 1 supplier to non-passenger car and off-highway vehicles in North America and Europe and to this end Sona Koyo is increasing R&D spend from Rs. 46 million to Rs. 100 million.

SOCIAL RESPONSIBILITY

As a socially conscious company we are fully aware of the issues that face our planet – Global Warming, hazardous waste disposal etc. and these are just some of the challenges we face, as we try to create a better world for our children to inherit.

Sona Koyo has taken several initiatives to cut back on energy consumption across all our units.

I am pleased to inform you that we have received the highest recognition from TERI – where we have become the first auto component company to win the coveted TERI ENVIRONMENT EXCELLENCE AWARD – through constant kaizens we have eliminated a hazardous product – Chromic Acid from our manufacturing processes. Our process has the potential to revolutionise paint shops across all manufacturing industries.

We are committed to becoming a zero waste company by 2010. Our social outreach programme continues to benefit children and women in a village behind our factory.

We are currently upgrading an ITI in partnership with the Government of Haryana at Nagina. This centre of excellence will help supply trained manpower to industry in the region. I am also pleased to report that we just received the National Training Award 2007 for our efforts in training.

THE CURRENT YEAR

It gives me great pleasure to announce that the current year has started extremely well and our Sales for the first quarter is Rs.185 crores, up from Rs.141 crores last year, an impressive growth of 31%.

As you are aware, interest rates have risen and we are constantly evaluating means to minimize the impact and restructure our loan portfolio. The rise is also bound to have an effect on growth rates in the economy, as well as Indian \$ Exports. The two wheeler and commercial vehicle industries have experienced a slow down. The passenger car industry however, continues to grow at a healthy rate and this augurs well for us. This gives us the confidence to state that we are on track to meet our budgeted sales target of Rs.765 crores.

On the back of a huge growth last year, where your company grew 72%, our direction this year is QUALITY OVER QUANTITY. This effort is not only restricted to Sona Koyo, but is being championed by our Supply Chain team at the supplier end as well.

This will help us improve our operating margins. The sustained effort in pursuing quality while reducing costs is a major contributing factor for the same. One area of concern is the strengthening of the rupee against the dollar. We are taking adequate measures, by ensuring that as far as possible our contracts for exports and imports are protected, and that our future exports are for Euro denominated geographies.

ACKNOWLEDGEMENT

I wish to place on record our sincere thanks to our main customer and partner Suzuki Maruti. To JTEKT Corporation (formerly Koyo Seiko Co. Japan) for their continuous technical and management support. Also thanks to Toyota Kirloskar Motors, Mahindras and their new partner Renault, Hyundai Motors (India), Hindustan Motors, Tata Motors, 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, 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 & 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 23rd Annual General Meeting of Sona Koyo Steering Systems Limited,
held at Air Force Auditorium, Subroto Park, New Delhi 110 010 on 18th July, 2007.**