



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 2008-09 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 you all are aware, the Global Economy has witnessed a very turbulent year – the developed world is facing one of its worst years since the Great Depression of 1929. Economists have termed this event as the "2nd Great Depression", but the good news is that every Government around the world has reacted immediately and come up with "stimulus packages" to stop the decline and to reverse the negativity of this economic downturn. The U.S. Government came up with a trillion dollar stimulus package; European countries came up with various schemes for scrapping of old cars and Green Car schemes.

The Indian Government must be complemented for the excellent stimulus package to immediately stop the decline in economic activity.

As we meet today, most of the global economies have nearly stopped the decline, and are forecasting an improvement, but what no one knows is the psyche of the customer – how much it has been affected – for it to come back to the extra spending he was used to.

The Indian economy has not been totally isolated from these world vagaries and the two most affected sectors are the real estate and auto sectors. Higher input costs have hit everyone across the board. Steel prices rose by over 74% based on 2007 prices and have now settled at an increase of 33% over 2007 prices. The US\$ rose by 23% from Rs. 39.98 in April 2008, to Rs. 49 in April 2009 and the Japanese Yen has also appreciated by 30% from April 2008 to April 2009. While Passenger Vehicles grew by 6.75% from 1,768,283 to 1,887,619 units, the huge drop in Medium & Heavy and Light Commercial Vehicles by 32.45% and 10.45% respectively the overall market posted a 0.14% dip. The cost of and access to funds for both consumers and corporate was another major issue. If you recall I had stated rising input costs and decline in access to funds as major issues facing the industry in my previous years address.

Auto companies, though quick to respond to the market, have had to revisit strategies and reach out to segments of customers which had until now remained untapped. The pressure has also been passed on to our suppliers. Your company is undergoing a massive localisation drive. This will help cut our exposure to foreign exchange risks as well as contribute towards saving costs and a return to profitability.

The good news is that, India is still growing at 6-7% GDP, and is the Second Fastest Growing Economy in the world. That having been said, I view the future with cautious optimism. The world is changing from a Greed based society to a Need based Society – The Era of Vulgar Consumption is over. Though there is going to be an immediate increase of Government support in terms of stimulus support to Banks and Industry, the role of the State in Industry would decline and the need of the hour is for Industry to become leaner, meaner and competitive. Companies need to look at Green products, alternative products along with Innovation & Technology.

In India with the recent return of a stable Government at the centre will undoubtedly help improve market sentiment. The decision makers of our country have created a system that helps protect India from some of these storms and even today predict a GDP growth of anywhere between 5.5 and 6.5% – but we don't know for how long we will remain unaffected. Industry as a whole is facing challenging times but it has and will adapt to grow and become stronger.

DIVIDEND

Your company has posted a top line growth of 1% moving sales up from Rs. 683.6 Crores to Rs. 693.2 Crores. Unfortunately huge input costs have hurt our bottom line terribly and we have for the first time in our history posted a loss of Rs. 31.03 Crores. It is the first time in the history of our company that I am not being able to support our shareholders by declaring a dividend – it is painful and it hurts.

It is for the first time in our history of 21 years that we are not able to declare a dividend. For those of you who have stood by us in our hour of need – I thank you for trusting in us and having patience as we return to profit.

P.T.O.

While these tough times may be painful and difficult for us all – they also present opportunities for companies to work harder on internal systems, processes and policies that make them even more efficient. The pain has been doubly hard since we have had to undertake some very harsh measures internally. There has been downsizing of manpower, salary cuts and general tightening of the belt by all. Further more, we have not been able to pay bonuses to our shop floor workers.

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" as well as follow our principles of TQM and TPM to keep competitive.

The 3 subsidiaries of Sona Koyo have been making steady progress. The JTEKT Sona Automotive and Sona Fuji Kiko Automotive facilities at Bawal are near completion and both should begin commercial production on time by November 2009. The Arjan Stampings facility at Farukh Nagar has started commercial production in April 2008. The AAM Sona facility at Pant Nagar in which Sona Koyo has an investment has been completed.

Our commitment to enhance product design capabilities and to provide complete steering solutions as a Tier 1 supplier to non-passenger car and off-highway vehicles in North America and Europe have borne fruit. Today we have a substantive business with major North American off-highway vehicle makers we expect an annual business of USD 803,000/-.

SOCIAL RESPONSIBILITY

As mentioned earlier in my speech, we are committed to announcing a Sustainability Report in accordance with the G3 Guidelines on Sustainability Reporting. We have begun with the first phase- collation of Data along with a compilation and printing of Sustainability Report 2008-09.

On the environment side, CO₂ emissions have been reduced to 4,904 tonnes. Efficient waste disposal systems will add back further revenue – last year 4,000 tonnes of hazardous sludge was reduced due to process modifications. Keeping in cue from my last years speech, the team has initiated a robust paper recycling program – driven by in house waste paper collection.

On the social front the up gradation the ITI taken up in partnership with the Government of Haryana at Nagina, has become a case study of a successful Public Private Partnership. Our ITI, has matured to a stage where in they have received there first job work order from the Mewat Development Authority making it a self sustaining project. We have initiated a huge tree plantation drive at Nagina Village (1000 Mango Tree Plantation, Phase -1) - an initiative to neutralize our Carbon Footprint.

We continue to serve the community through the Sona Swasthiya Kendra, which serves about 50 patients a day on average

THE CURRENT YEAR

The first quarter of the current year has given us reason to be optimistic. Net Sales now stand at Rs. 187.07 crores as compared to Rs.170.39 crores and PBT stands at Rs.1.21 crores as compared to a loss of (Rs. -2.02 Crores) during the corresponding period in previous year. The market seems to have stabilized and we are approaching the future with caution.

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
Executive Chairman

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 25th Annual General Meeting of Sona Koyo Steering Systems Limited,
held at Air Force Auditorium, Subroto Park, New Delhi 110 010 on 31st July, 2009.**