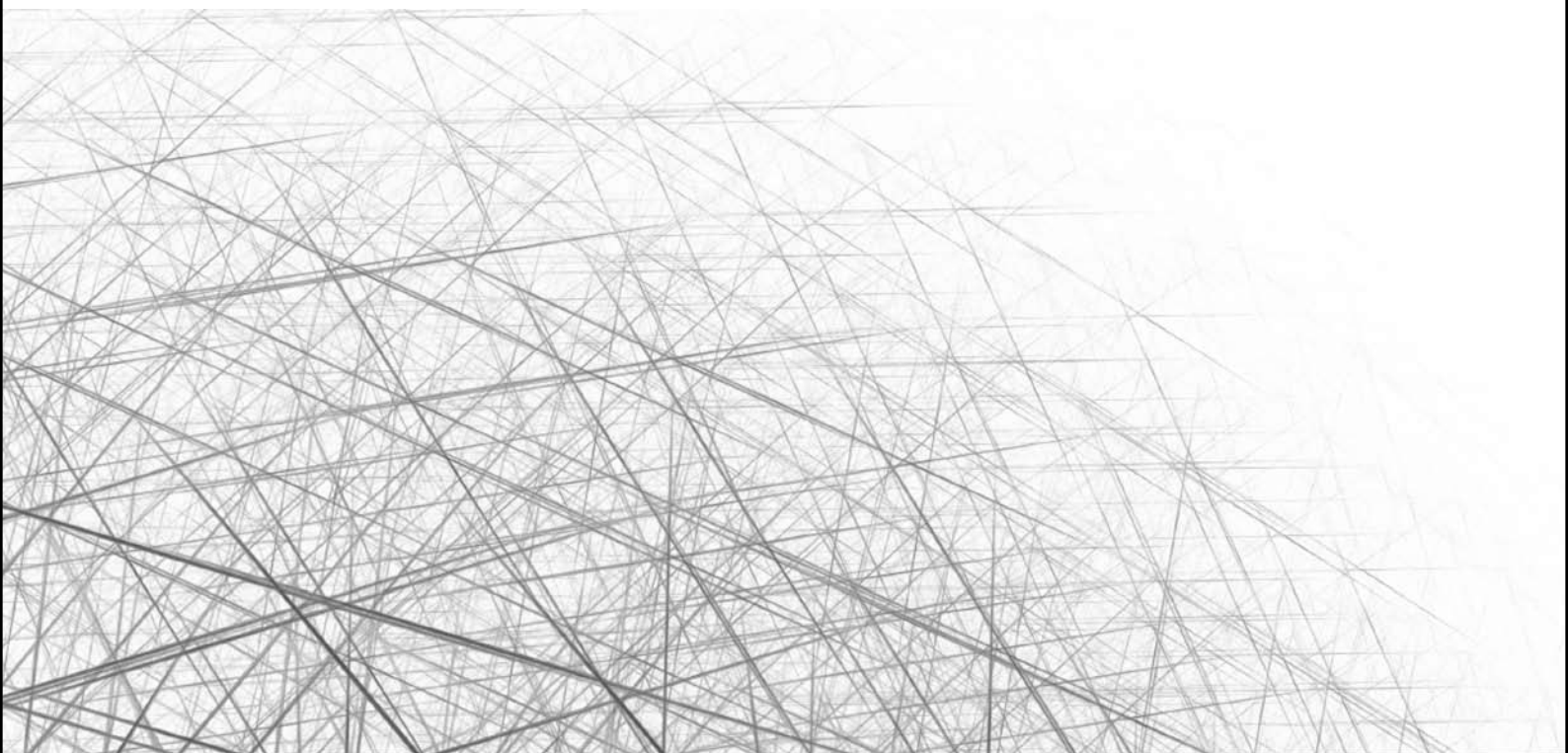
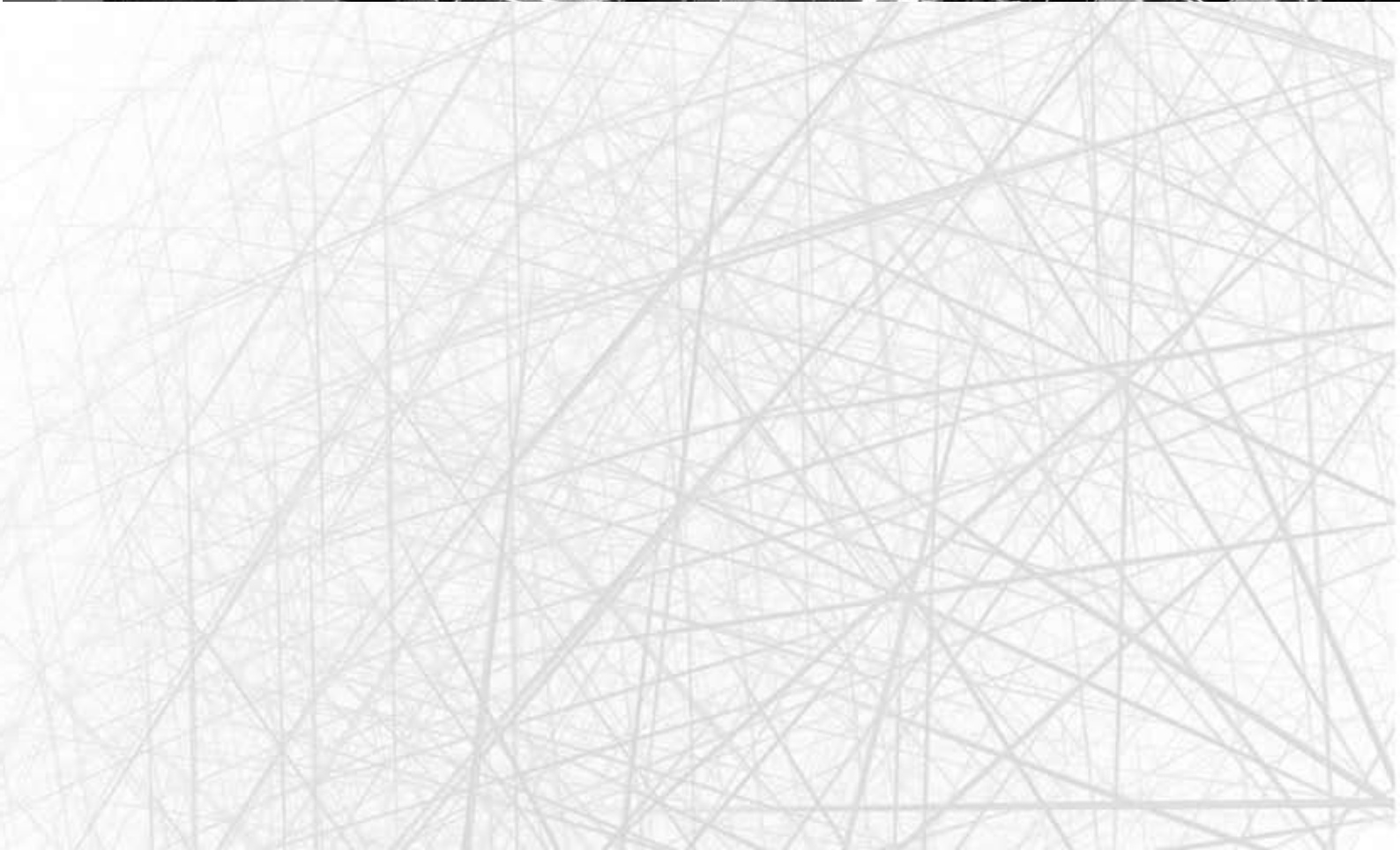
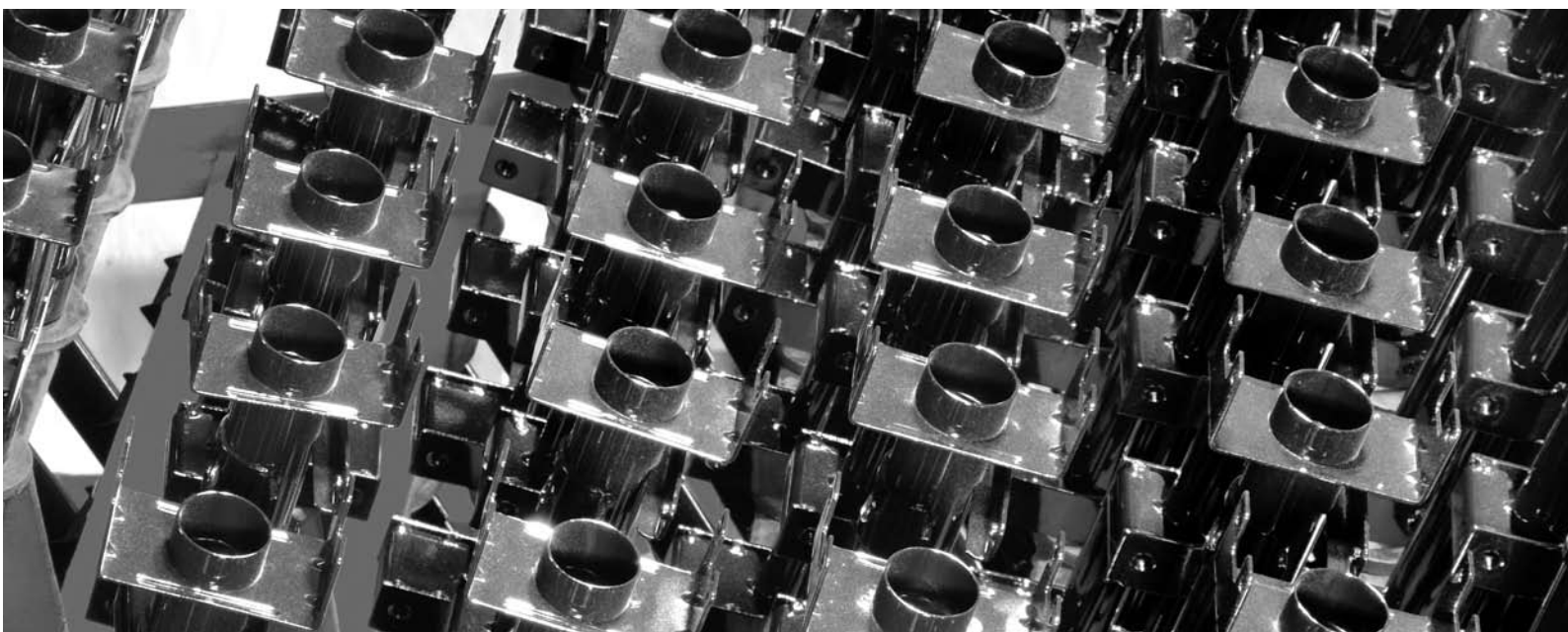


# Sona Koyo Steering Systems Ltd.

Annual Report 2010~11







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## Chairman's Letter





Dear Shareholders,

In 2010-11, Sona Koyo Steering Systems Ltd. realized another milestone in its history by surpassing the Rs 1000 crore mark and achieved a Sales Turnover of Rs 1032 crore. With all its subsidiary Companies now commencing full year production, Sona Koyo Group on a consolidated basis posted a Sales Turnover of Rs 1203 crore. This reflects a 21% growth in sales on standalone basis and 41% on consolidated basis. The group also recorded higher net profit of Rs 44.63 crore on consolidated basis. Your company is committed to exceed Customer expectations by consistently providing high quality products. Management focus towards improving capacity utilization and value addition per employee, supported by strong market demand has helped the Company to achieve significant growth in turnover and profitability.

The global economy continues to recover at a slow pace than the forecast, while the emerging markets are beating the forecast growth. India is witnessing excellent growth and is expected to be a 5 million passenger vehicle market by 2015. India is now home to all the major Global Automotive Companies, which provide the Indian Automotive Components Companies good opportunities for growth. The auto component industry will expand both due to growth in domestic demand as well as International demand for its Indian OEMs.

India is most likely to be one of the fastest growing automobile markets, and perhaps the third largest, in terms of domestic market volumes, by 2020. The growth trajectory in automobiles in India was high, in double digits, during the past decade partly because of the acceleration in economic growth, and partly, because of favourable factors such as increasing finance penetration and rising consumer aspirations. The same factors are likely to continue to drive more than 10 per cent growth in cars, utility vehicles, light commercial vehicles, and scooters over the next 10 years. As per SIAM estimates, the sector is expected to grow at 15%-16% in FY-12 despite being impacted by factors like high inflation, rising raw material costs, increase in interest rates and fuel prices. Government's bolstered steps for the infrastructure development will continue to support the economic growth and employment opportunities in the Indian Economy.

Other developments in the Automobile sector include gradual shift of production facilities from high-cost regions in North America and European Union to lower-cost regions such as China, India and South America. The Asian countries, especially China and India, are expected to account for 40% of growth in the auto industry over the next five to seven years. Cost & Efficiency optimization shall be the key words. The Automakers have started to reduce the number of technological platforms with a greater diversity of models produced from each platform in order to remain cost competitive.

There is also a shift for "green" cars, which will not only mean increased use of alternative energy sources but also "lightweighting" of components. A majority of the systems are becoming "electronic" for the same reason. Increasing fuel prices and concerns over global warming have focussed attention on the auto industry which has resulted in efforts towards either relying less on traditional fossil fuels or using renewable sources of energy. It is likely that "green" cars will

represent up to a third of total global sales in developed auto markets and up to 20% in urban areas of emerging auto markets by 2020.

Your company is the leader in the "Electronic Power Steering (EPS)" in India and our partners JTEKT are not only the global leaders in the steering business, but also the number 1 Electronic Steering Systems provider in the world. Thus the creation of Sona Koyo's subsidiary, JSAI, is an important strategic decision your Company took. I am very pleased to say that our partnership with JTEKT is progressing very well on other fronts, too. JTEKT is supporting Sona Koyo, for example, with technical experts to improve productivity and quality.

In order to improve quality, reduce costs, and increase value addition, your Company is exploring options of backward integration. One such project already initiated by the Company is to set up Aluminium Die Casting Plant at a new location in Malpura, near Dharuhera. The Company has also decided to set up facilities for in-sourcing which essentially involves in-house machining of certain key components. Capex outlay of Rs. 50 crore has been earmarked for these new projects.

In view of the exponential growth that the Industry is witnessing, a big challenge that the Automotive Industry is facing today is the development of tier 2 & tier 3 suppliers for quality and productivity. Sona Koyo is leading a major Indo-Japanese program called VSME (Visionary Small & Medium Enterprises), which is supported by JICA & NMCC. This program is aimed at upgrading the entire supply chain, beginning with tier 3 and tier 2 suppliers, and creating a win-win relationship between suppliers and customers in this chain.

I am certain that these efforts of optimizing the supply chain will benefit your Company not only in short-term, but also for years to come.

I take this opportunity to thank our partners; JTEKT, Maruti Suzuki and Fuji Kiko, our customers; Maruti Suzuki, Mahindra & Mahindra, Tata Motors, Hyundai, Mando India, Fiat India, Toyota Kirloskar, General Motors, and Renault-Nissan India, our bankers; State Bank of India, Corporation Bank, Standard Chartered Bank, Exim Bank, Yes Bank, Kotak Mahindra Bank, Allahabad Bank, Indian Bank and State Bank of Hyderabad, and our employees for their continued support and confidence in our management.

Finally I thank all the shareholders of our company for your faith in the management and the future of Sona Koyo.



**Dr. Surinder Kapur**  
Chairman



## Vice-Chairman & Managing Director's Letter





The automotive industry continued its strong growth momentum in 2010-11 with auto sector sales growing at 26% YoY. The passenger vehicles segment outperformed the sector with healthy growth of 29% YoY in the same period driven by ballooning spending power, easier financing and a wider choice of models in an economy growing at nearly 8%-9% annually. As per SIAM estimates, such high growth rates in the sector are expected to moderate to 15%-16% in FY12 mostly because of high inflation, rising raw material prices, increase in interest rates and fuel prices.

The auto sector will continue to grow at a healthy pace in FY12 driven on the back of unabated demand from tier II and tier III cities. At the same time entry of global automakers like Volkswagen and Audi will further boost the upmarket car segment. India will continue to attract global car manufacturers to set up and improve the manufacturing base in India due to its ever-increasing large pool of technically qualified manpower as well as its ability to offer cost effective value engineering solutions. Favorable demography and presence of the world's largest middle class with disposable income resulting in higher affordability will provide necessary impetus to the automobile sector in India.

India's passenger car and commercial vehicle manufacturing industry is the seventh largest in the world, with an annual production of more than 3.7 million units in 2010. According to recent reports, India is set to overtake Brazil to become the sixth largest passenger vehicle producer in the world, growing 16-18 per cent to sell around three million units in the course of 2011-12. According to the Society of Indian Automobile Manufacturers, annual car sales are projected to increase to 5 million vehicles by 2015 and north of 9 million by 2020.

During 2010-11 the domestic market witnessed new launches by almost all the OEM's. 'Cruze' by General Motors, 'Aria' by Tata Motors, 'Alto K-10' by Maruti Suzuki and the much awaited and acclaimed 'Etios' from Toyota to name a few, apart from launches in small commercial vehicles. Tata 'Nano', the small car wonder which could not live up to the market expectations saw sales zoom to levels of 10,000 cars in Mar 2011 on the back of a renewed marketing effort by the company.

Sona has maintained its leadership position because of its ability to offer innovative solutions to the customers right from design to manufacturing to complete assemblies. The present product portfolio comprises of Manual and Hydraulic Steering Gears, Manual and Electronic Steering Column as well as Intermediate Shafts. The Company's products are made to global quality standards and performance. In its efforts to venture into new market segments Sona has started supplying Manual Columns for heavy commercial vehicles even though the focus segments remains passenger cars and utility vehicles.

Sona, at the operating levels, improved its Capacity Utilization by producing 4,983,580 units under the Steering and Column Assembly group as compared to 4,257,385 units produced last year (an increase of 17%). A new Manufacturing facility at Sanand started commercial production in the last quarter after overcoming the challenges faced in the relocation of civil structure from Singur, West Bengal. At the Financial front, the Company decided to divest non strategic investments where management participation of Sona was limited. At the same

time, the Company increased investment in its subsidiary Company engaged in the Sheet Metal business. New capital expenditures were met out of operating cash flows and as a result the Company reported a better debt equity position at the end of the year.

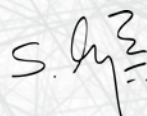
Access to International technology through our Technology Partner and Shareholder JTEKT Corporation, Japan has helped the Company to deliver quality products acceptable to our customers. With their help, Sona has successfully localized part of the technology and this has helped to bring the Import content down from 33% to 18% of total material cost. With the help of the In-house R&D efforts, Sona has now developed the EPAM (Electronic Power Assist Module) for off highway vehicle applications. Facilities to manufacture EPAM have been set up at the Dharuhera Plant and supplies have been made for pilot production. Sona is now preparing for mass production in FY12.

In FY11, the Company initiated a major HR initiative to make Sona an employer of choice. This was aimed at strengthening leadership competencies by conducting classroom sessions involving experts to share different leadership strategies. This new initiative also involved a detailed study of Job Description at various levels in the organization, define Competencies for all levels of management, and run an assessment centre with an eye on the future organization structure and a Customer Facing Organization. This initiative also included a separate session to refresh and reinforce our basic beliefs i.e. "Respect for the individual", "Service to the Customer", and "Excellence in the Pursuit of our Goals". We trust that the Group Vision and Mission is underpinned by its Values and Core Beliefs and also believe that a strong and enduring value system differentiate Sona from its competitors.

Another initiative taken by the Company was to upgrade its IT infrastructure during the year. The Oracle ERP application used by the Company for Financial Accounting, Material Management and Sales & Distribution Management was upgraded from Release 11i to Release 12 with IBM acting as Implementation partner for this exercise. In addition, the Company has set up PPMS (Product Profitability Management System) with the help of 3CiT. These initiatives shall deliver robust financial controls, streamlined processes, and reduced operating costs.

The coming pages will give you an in-depth view of the market, market challenges and various factors that impact our business. I would like to thank the Management Board of the Company for their continued support and guidance in steering the Company forward.

We look forward to yet another successful year ahead; and I take this opportunity to convey my sincere thanks for your continued support.



**Sunjay Kapur**  
Vice Chairman & Managing Director

# Board of Directors





## BOARD OF DIRECTORS

Dr. Surinder Kapur  
*Chairman*

Mr. Sunjay Kapur  
*Vice Chairman & Managing Director*

Mr. K. M. Deshmukh  
*Dy. Managing Director*

Mr. Hiroyuki Miyazaki  
*Nominee of JTEKT Corporation, Japan*

Mr. Kazuhiko Ayabe  
*Nominee of Maruti Suzuki India Limited*

Mr. Jug Mohan Kapur  
Mr. B. L. Passi  
Mr. Ramesh Suri  
Mr. Ravi Bhoothalingam  
Mr. P. K. Chadha  
Lt. Gen. (Retd) Shamsheer Singh Mehta  
Dr. Rakesh Mohan

## COMPANY SECRETARY

Mr. Sudhir Chopra

## EXECUTIVE MANAGEMENT

Dr. Surinder Kapur  
Mr. Sunjay Kapur  
Mr. K. M. Deshmukh  
Mr. P. V. Prabhu Parriker  
Mr. Sudhir Chopra  
Mr. Sunder Rajan

## OPERATING MANAGEMENT

Mr. Sunjay Kapur  
Mr. K. M. Deshmukh  
Mr. Sudhir Chopra  
Mr. Sunder Rajan  
Mr. A. Fujimoto  
Mr. A. D. Rao  
Mr. Rajiv Chanana  
Mr. P. P. Gajpal  
Mr. Manoj Sharma  
Mr. Deepak Arora  
Mr. Shyamal Saha

## TECHNICAL PARTNERS

JTEKT Corporation, Japan  
Mando Corporation, Korea  
Fuji Autotech AB, Sweden

## AUDITORS

M/s S P Puri & Co.  
Chartered Accountants  
4/18, Asaf Ali Road  
New Delhi 110 002

## BANKERS

State Bank of India  
Standard Chartered Bank  
Corporation Bank  
State Bank of Hyderabad  
EXIM Bank  
Allahabad Bank  
Indian Bank  
Yes Bank Ltd.  
Kotak Mahindra Bank Ltd.

## REGISTRAR AND TRANSFER AGENT

Karvy Computershare Pvt. Ltd.  
105-108, Arunachal Building,  
19, Barakhamba Road,  
New Delhi 110 001

## REGISTERED OFFICE

UGF-6, Indraprakash,  
21, Barakhamba Road,  
New Delhi 110 001

## WORKS

- 1) 38/6, NH-8, Delhi-Jaipur Road,  
Gurgaon 122 002 (Haryana)
- 2) P. O. Box 14,  
Chennai-Bangalore Highway, Sriperumbudur,  
Distt. Chinglepet 602 105
- 3) Plot No. 32, Industrial Area Ph II  
Dharuhera, Distt. Rewari (Haryana)
- 4) Plot No. D9, TML Vendor Park,  
Survey No. 1, Village Northcotepura,  
Sanand, Ahmedabad (Gujarat)

# Management Discussion and Analysis

## Market Scenario

2010-11 started in an environment of incipient domestic recovery amidst uncertainty about the state of the global economy, a perception that was reinforced with the precipitation of the Greek sovereign debt crisis a few weeks later. Throughout the year, the goal of Reserve Bank of India's monetary policy was to nurture the recovery in the face of persistent global uncertainty while trying to contain the spillover of supply-side inflation.

The Indian economy is estimated to have grown by 8.6 per cent during 2010-11. Agricultural growth was above trend, following a good monsoon. The index of industrial production (IIP), which grew by 10.4 per cent during the first half of 2010-11, moderated subsequently, bringing down the overall growth for April-February 2010-11 to 7.8 per cent.

The global economy during the first quarter of 2011 continued with the momentum of late 2010. The global manufacturing purchasing managers' index (PMI) for February 2011 was close to a record high, while the global services PMI recorded its fastest pace of expansion in almost five years. International trade performed much better as compared with last year but the month-on-month momentum remained uneven. Clearly, global recovery, as a whole, still looks fragile and uneven. However, consumer confidence in major countries, which improved during January-February 2011, moderated in March 2011 on the back of higher oil prices. GDP growth in the US, which was strong at 3.1 per cent in Q4 of 2010, slipped to 1.8 per cent.

At present, uncertainty over the pace of international growth, and even its durability, has increased. Inflationary pressures are building in virtually every region. As per current research, the world's largest economy, the United States, will be hard pressed to move beyond a 2.5 – 3% annualized growth range in the absence of renewed stimulus. The world's third largest economy, Japan, has probably slipped back into recession, albeit temporarily. Prospects for most European countries are limited by the spreading sovereign debt related strains in the southern peripheral countries, and the increasing bailout costs that the northern countries, such as Germany, are assuming.

The aftershocks emanating from Japan's earthquake are increasingly being felt around the globe in the form of reduced manufacturing, particularly for automobiles and technology products. The disruption to supply chains have effectively reduced global auto assemblies by about 11% YoY in April 2011, a sharp reversal from an 8% YoY increase prior to the tsunami in Japan. The greatest impact is in the Asia-Pacific region, where Japanese parts have the largest import penetration in the world's biggest car-producing region.

The Brent crude price surged from an average of US\$ 75 a barrel during May-September 2010 to US\$ 123 a barrel by April 2011. The International Monetary Fund (IMF), in its April 2011, World Economic Outlook (WEO), has assumed US\$ 107 a barrel for the full year 2011. Since February 2011, oil prices have come under further pressure on account of apprehensions about supply disruptions due to political developments in the Middle East and North African (MENA) region. The demand for oil is expected to increase with the possibility of Japan substituting some of its shut-in nuclear power capacity with oil-based generation, combined with higher energy usage once reconstruction gets underway. Steel prices also continued to show upward movement throughout the year (refer Chart A & D).

On the Financial front, with the exception of a brief period of May- August 2010, when Rupee depreciated against US\$, due to the European debt crisis, the pressure this fiscal has been on rupee to appreciate. Going forward factors like robust capital flows due to the slow economic recovery in other parts of the world, rising interest-rate differential in the wake of the RBI's monetary tightening and Weak US\$ due to ultra-low US interest rates are likely to exert upward pressure on the Rupee.

As 8.5-9.0 per cent average annual GDP growth has now become a new benchmark for India to assess its growth performance, it would require special efforts to achieve the same in view of current scenario. As per CRISIL estimates, the GDP is expected to grow at 8.3 per cent in 2011-12, as the rising cost of credit would slow industrial growth to 8.2 per cent and agriculture growth, despite a normal monsoon, would decline due to a higher base.



Chart A : Crude Oil Prices USD/Barrel

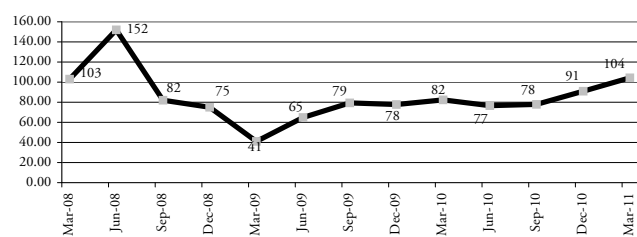


Chart B : Rupee Change rate for one USD

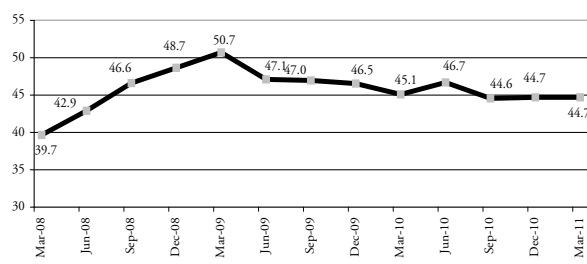


Chart C : Yen Change rate for one rupee

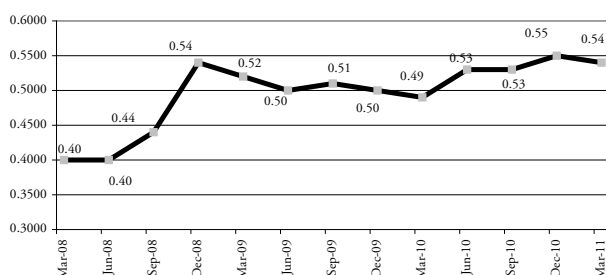


Chart D : Steel Price Inflation-Jan08 price as base

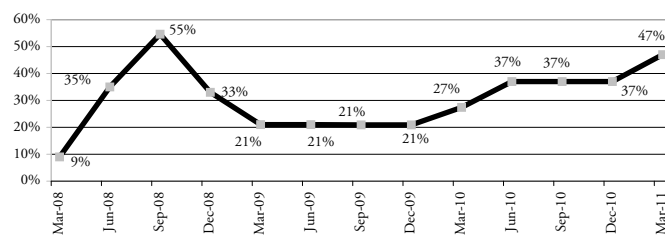
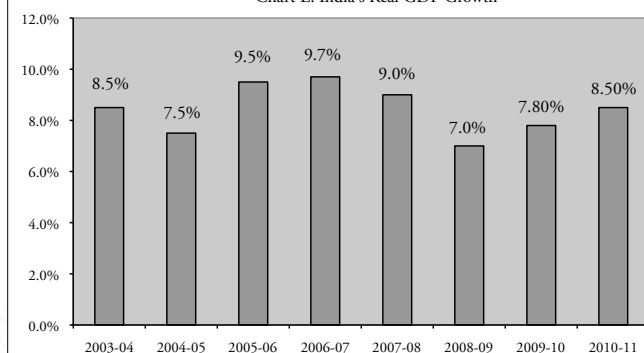


Chart E: India's Real GDP Growth



## Market Segment

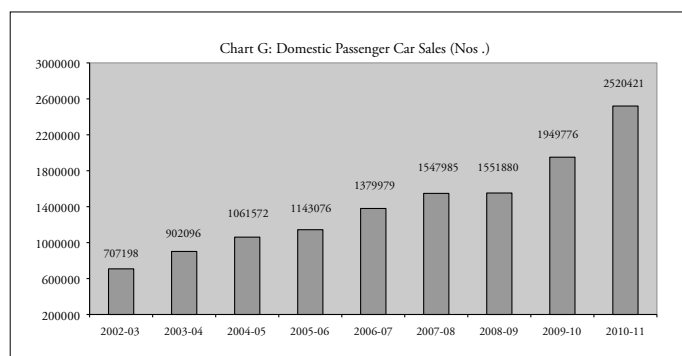
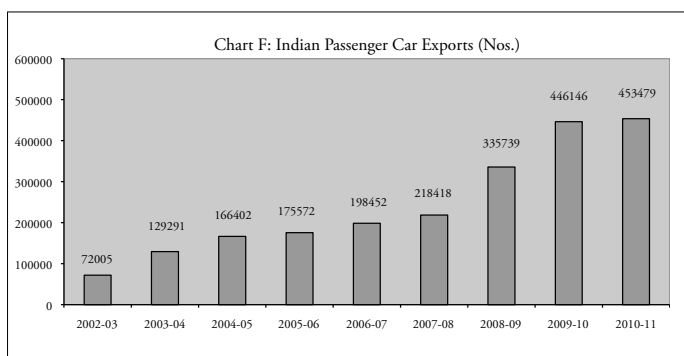
The automotive industry continued its strong growth momentum during FY-11 with auto sector sales growing at 26% YoY. The passenger vehicles segment outperformed the sector with healthy growth of 29% YoY in the same period driven by ballooning spending power, easier financing and a wider choice of models in an economy growing at nearly 8%-9% annually.

- The passenger vehicle sales were up by a healthy 29.2% YoY to 2,520,393 units during FY-11 from 1,951,333 units during FY-10 backed by robust demand across each sub-segment.
- The commercial vehicle sales were up by a healthy 27% YoY to 676,370 units during FY-11 from 532,721 units during FY-10.

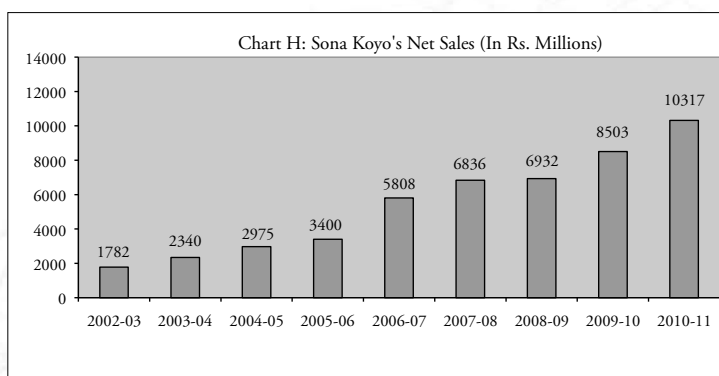
As per CRISIL Research, India is most likely to be one of the fastest growing automobile markets, and perhaps the third largest, in terms of domestic market volumes, by 2020. The growth trajectory in automobiles in India was high, in double digits, during the past decade partly because of the acceleration in economic growth, and partly, because of favourable factors such as increasing finance penetration and rising consumer aspirations. The same factors are likely to continue to drive more than 10 per cent growth in cars, utility vehicles, light commercial vehicles, and scooters over the next 10 years. As per SIAM estimates, the sector is expected to grow at 15%-16% in FY-12 despite being impacted by factors like high inflation, rising raw material, increase in interest rates and fuel prices.

The Indian Automobile industry is going to transition from one where a few players dominated each vehicle segment to a more intensely competitive market. This will increase product development and marketing costs and have an impact on profitability of manufacturers. The second big challenge, especially for the personal vehicle makers, is to tap rural consumers, in terms of product development, marketing and distribution. The third will be continued policy uncertainties related to regulations such as emission norms which affect production and capacity planning. Despite these challenges, it is expected that support from the Government shall continue to be available for this sector. This is evident from the fact that in the revenue budget there was no change in the existing excise duty (10%) on all vehicles, sans the large cars. Further the increase in allocation towards infrastructure development by 23% to Rs 2140 billion (over 48% of total plan allocation) in FY 2011-12 is a welcome move.

During 2010-11, the domestic market witnessed a slew of new launches by almost all the OEM's. 'Cruze' by General Motors, 'Aria' by Tata Motors, 'Alto K-10' by Maruti Suzuki and the much awaited and acclaimed 'Etios' from Toyota to name a few, apart from launches in small commercial vehicles. Tata 'Nano', the small car wonder which could not live up to the market expectations due to the safety issues saw the volumes zoom to levels of 10,000 cars in Mar 2011 on the back of renewed marketing efforts by the company.

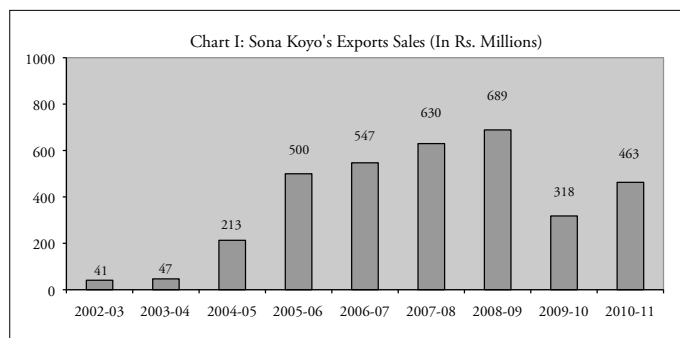


In this buoyant scenario, Sona Koyo's Gross Sales increased substantially from Rs. 9,290 Million in 2009-10 to Rs. 11,521 Million in 2010-11 and the Net Sales grew from Rs. 8,503 Million to Rs. 10,317 Million (See Chart H) over the same period, an increase of 21.33% in net sale over the previous year.



On the export side, the efforts put in for growing strategic sourcing business and exports to new avenues to Europe, South America started yielding results reflected in Sona Koyo's revenue increase by 46% YoY to Rs 463 Million (See Chart I).





## Subsidiaries and Joint Ventures

During the year under review Sona Koyo's key subsidiary JTEKT SONA Automotive India Ltd. (JSAI) started the mass production of Column Type Electric Power Steering Systems (C-EPS). The Company successfully set up the satellite plants for post assembly operations at Chennai and Bangaluru for supplies to Nissan and Toyota respectively. The Company has also successfully set up Line 2 for machining of Worm Housing with cycle time of 54 seconds. For the first complete year manufacturing operations, JSAI achieved Sales Turnover of Rs. 2244 million and PAT of Rs. 96 million.

Sona Koyo's other subsidiary, Sona Fuji Kiko Automotive Ltd. (SFAL) continued with its production of Jacket Assembly and Intermediate Shaft for Nissan 'Micra', 'Wagon R' for Tilt and Non-tilt models as well as exports to JTEKT Thailand. The year also saw the commencement of supply of the Jacket Assembly and Intermediate Shaft for Toyota 'Etios'. SFAL also added a second Jacket Assembly line to meet the increased demand for its products. During the year, SFAL has acquired business for the supply of Jacket Assembly for Honda Tilt and Non-tilt models for which additional capacity is planned in 2011-12. For the first complete year of manufacturing operations SFAL achieved Sales Turnover of Rs. 317 million and PAT of Rs. 7.6 million.

Sona Stampings Ltd. (SSL) continued to be in the process of consolidation of its operations. In order to improve the operations of SSL during the year, the Joint Venture partners infused additional equity as share application money, pending for allotment. For the year, SSL achieved Sales Turnover of Rs. 106 million and Loss of Rs. 16 million. Considering the current order book, it is expected that SSL would achieve profits in 2011-12.

During the year Sona Koyo sold its investment in AAM Sona Axle Pvt. Ltd. This is in line with Company's policy to divest from areas where the Company has no strategic control / direct participation in the management. Sona Koyo also sold small value Investments in its other two joint ventures i.e. Sona AutoComp Europe SARL and Sona AutoComp USA.

Further in compliance with the provisions of Section 212 of the Companies Act, 1956, a summarized statement of financials of subsidiary companies is annexed and forms part of the Financial Statements.

## Operations

Management focus, during the year, was towards improving capacity utilization and Value Addition per employee. Sona, at the operating levels, improved its Capacity Utilization by producing 4,983,580 units under the Steering and Column Assembly group as compared to 4,257,385 units produced last year (an increase of 17%).

A new Manufacturing facility at Sanand in Tata Vendor Park started commercial production in the last quarter after overcoming the challenges faced in the relocation of civil structure from Singur, West Bengal.

With the help of the In-house R&D efforts, Sona has now developed the EPAM (Electronic Power Assist Module) for off highway vehicle applications. Facilities to manufacture EPAM have been set up at the Dharuhera Plant and supplies have been made for pilot production. Sona is now preparing for mass production in FY-12.

## **Profitability & Competitiveness Improvement**

Sona Koyo achieved 21% growth in sales turnover to reach Rs. 10317 million. Sona Koyo is committed to exceed Customer expectations by consistently providing high quality products. Management focus towards improving capacity utilization and Value Addition per employee, supported by strong market demand, helped the Company to achieve significant growth in turnover and profitability. Sona Koyo was able to make a PAT of Rs. 374 million in FY-11, a significant increase over PAT of Rs. 216 million made in FY-10.

Sona Koyo has continued with its efforts to improve the level of localization of various imported parts. This has helped to bring the Import content down from 33% to 18% of total material cost. Various VA/VE activities were initiated along with active participation with Suppliers to improve efficiency of operations. All of these factors resulted in an overall reduction in material cost from 75% in FY-10 to 73% in FY-11.

To improve manpower efficiency, Sona Koyo initiated a major HR exercise during the year involving a detailed study of Job Description at various levels in the organization, define Competencies for all levels of management, and run an assessment centre with an eye on the future organization structure and a Customer Facing Organization.

Another initiative towards competitiveness improvement was to upgrade IT infrastructure during the year. The Oracle ERP application used by the Company for Financial Accounting, Material Management and Sales & Distribution Management was upgraded from Release 11i to Release 12 with IBM acting as Implementation partner for this exercise. In addition, the Company has set up PPMS (Product Profitability Management System) with the help of 3CiT. These initiatives shall deliver robust financial controls, streamlined processes, and reduced operating costs.

## **Awards and Recognition**

Sona Koyo once again achieved recognition of its excellence. Sona Koyo was awarded, by Maruti Suzuki, Excellence Award under the categories of “Research & Development” and “Tier 2 Up-gradation”. Sona Koyo was also awarded with “Best Award for Quality < 2PPM” by EZ-Go in October, 2011.

## **Supply Chain Management:**

Sona Koyo continues to build and maintain sustainable relationships with its supply chain particularly in relation to long-term strategic direction of the business. Vendor management is critical to Sona Koyo, as nearly 73 percent of the Net Sales is currently made up of material cost. Sona Koyo continues to be benefited from the restructured and rationalized Supply Chain Team for better optimization of resources and increased customer focus.

Market growth in FY-11, led to serious supply constraints as Tier II suppliers could not foresee investment requirements to increase production capacity and improve technology. This resulted into difficulties in meeting customer requirements as well as payment of premium freight despite establishing strong logistic controls. This has prompted the Company to seriously explore options of backward integration for implementation in FY-12.

Sona Koyo has also decided to participate in the VSME (Visionary Small & Medium Enterprises) project under Visionary Leaders for Manufacturing (VLFM) Programme run by CII, JICA (Japan International Co operation Agency, Japan) and NMCC (National Manufacturing Competitiveness Council, Government of India) under the Indo-Japan Cooperation Agreement 2006. The faculty for the programme includes Chief Advisor, Professor Shoji Shiba – an international expert in TQM and Breakthrough management. This program is directed towards improving the technical and operational efficiency of our suppliers. Sona Koyo technical team will work directly with the selected suppliers to help them improve efficiency of their manufacturing operations and achieve technological changes.



## Research and Development (R&D)

Sona Koyo has been awarded an international patent (US 7,789,191) titled “Electric Power Assist Module for Steering System”. This is the second international patent that Sona Koyo has secured in the United States. This invention of EPAM is indeed revolutionary for off-highway vehicles segment and has a huge market potential in the farm equipments segment.

Electric Power Assist Module (EPAM) developed for off road application is ready for production. The concept has been designed and developed for EPAM for farm equipments. The prototype has been developed and testing at customer end is in progress. Initial feedback from customer is encouraging. Variants of EPAM for different types of vehicles with unique features and low cost are being developed for ease of mounting with desired performance.

## Outlook

The automotive industry remains one of the highest revenue-earning industries in India contributing majorly to India's GDP, providing direct and indirect employment to millions of people. The market outlook for the industry remains promising with demand across the car segments. India continues to consolidate its position on the global front and now accounts for 5% of global auto production, up from 1.4% at the beginning of 2000. The investment in the industry is expected to be up to USD 17bn in fresh capacity over the next four years and the investment in automotive components is expected to be USD 12bn over the next six years driven by strong technological capability and availability of trained manpower at competitive prices.

As per Industry estimates, growth rate in the Auto sector is expected to moderate to 15%-16% in FY-12 mostly because of high inflation, rising raw material prices, increase in interest rates and fuel prices. However an expanding middle class population, growing earning power, industrial development and Government's focus to build infrastructure, the demand for passenger cars and commercial vehicles shall continue to grow.

Other developments in the Automobile sector will include gradual shift of production facilities from high-cost regions in North America and European Union to lower-cost regions such as China, India and South America. The Asian countries especially China and India are expected to account for 40% of growth in the auto industry over the next five to seven years. Cost & Efficiency optimization shall be the key words.

## Risks and Concerns

The Company is exposed to external and internal risks associated with the business. The operations of the Company are directly dependent on the growth of Indian automotive industry. General economic conditions impact the automotive industry, and, in turn, the operations of Sona Koyo as well. To counter these risks, the Company continues to broaden its product portfolio, increase customer profile and geographic reach.

The Company is exposed to strong competitive pressures both domestic and overseas. Sona Koyo's close customer relationships, ability to provide higher level of engineering, design support and relentless drive for improvement gives it a competitive edge. The Company is also exposed to financial risk from changes in interest rates, foreign exchange rates and commodity prices. The Company also faces challenges with regard to fast changing technology, reducing life cycle of new vehicles, supply constraints from Tier II suppliers, sustaining cost efficiencies brought into the system and planning capacity expansion in the wake of changing demand patterns.

Risk management is reviewed by the Audit Committee, which reviews the Company's management activities on a regular basis in addition to monitoring for any new risks that may arise due to changes in the external or business environments. While the possibility of negative impact due to one or more of such risks can not be totally ruled out, the Company proactively takes conscious and reasonable steps, making efforts to mitigate the significant risks that may affect it.

## Financial Review

Table 1 lists the abridged Profit & Loss statement of Sona Koyo on a stand-alone basis.

Table 1: SKSSL's abridged Profit & Loss Account (Rs. in Millions)

		2010-11	2009-10
1	Domestic Sales	9853.9	8185.5
2	Exports Sales	463.0	317.5
3	Net Income from Operations	10316.9	8503.0
4	Other Operational Income	98.9	54.9
5	Total Income	10415.8	8557.9
6	Raw Material	7579.3	6386.5
7	Staff Costs	761.8	555.6
8	Other Expenditure	947.8	684.2
9	Total Operating Expenditure	9288.9	7626.3
10	EBIDTA	1126.9	931.6
11	Depreciation and Amortisation	284.5	265.8
12	EBIT	842.4	665.8
13	Finance Charges	327.5	336.1
14	PBT	514.9	329.7
15	Tax	140.8	113.2
16	PAT	374.1	216.5

The summarised financial position is explained below:

- Net income from operations increased by 21.33% from Rs. 8,503 million in 2009-10 to Rs. 10,317 million in 2010-11 driven by growth in market demand.
- Material Cost as % of Sales declined from 75.11% in FY-10 to 73.46% in FY-11 despite upward movement in commodity prices & range bound fluctuation in foreign exchange.
- Other Operating expenses (Manufacturing, Administration and Selling) increased from 8% to 9%, primarily due to stress faced in supply chain management.
- Increase in demand led to optimum capacity utilization of manufacturing facilities of the Company. With capital expenditure of Rs 394 million, there was an increase in Depreciation charge from Rs. 265.8 million to Rs. 284.4 million.
- PAT as a % of Sales improved from 2.6% in FY10 to 3.6% in FY-11.
- The Company has announced a dividend of 65% compared to 30% last year.
- Earning per share (EPS) increased from Rs 1.09 in FY-10 to Rs 1.88 FY-11.
- ICRA has revised the Company's long term rating from LBBB+ (pronounced L triple B plus) to LA- (pronounced L A minus) with stable outlook. ICRA has also revised the short term rating from A2 (pronounced A two) to A2+ (pronounced A two plus) .

## Internal Controls and their Adequacy

Sona Koyo has in place systems of internal control which are commensurate with its size, and the nature of its operations. These have been designed to provide reasonable assurance with regard to recording and providing reliable financial and operational information, complying with applicable statutes, safeguarding assets from unauthorized use or losses, executing transactions with proper authorisation and ensuring compliance of corporate policies. Further internal audit and management reviews are conducted regularly and the reports are regularly submitted for review to the Audit Committee of the Board of Directors.



Sona Koyo's Audit Committee reviews all audit reports submitted by the internal auditors; follows up on the implementation of various recommendations; meets the Company's statutory auditors to ascertain their views on the adequacy of internal control systems; and keeps the Company's Board of Directors informed of major observations from time to time.

## **Sustainability**

The Sona Group continues to map its carbon and water foot prints. Sona Koyo has set the target for 5% reduction in its energy consumption, a 10% cut in carbon emissions, 5% cut in water consumption using in-house innovative ways for reduction and reuse of its resources. The Company has also initiated a huge tree-plantation drive, to off-set its carbon footprint.

In the social space, the adoption of 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 batches of over 150 students. With a placement record of 75% over 4 years, its students are finding their way to many industry players which include OEMs, Tier I and Tier II Companies.

At Begumpur Khatola Sona Koyo continues to support education and health initiatives for the local community.

## **Cautionary Statement**

Statements in this Management Discussion and Analysis describing the Company's objectives, projections, estimates and expectations maybe (forward looking statements) within the meaning of applicable laws and regulations. Actual results might differ substantially or materially from those expressed or implied. Important developments that could affect the Company's operations include a down trend in the automobile sector, significant changes in the political and economic environment in India, exchange rate fluctuations, tax laws, litigation, labour relations and interest cost.

# Corporate Governance Report

## CORPORATE GOVERNANCE

Sona Koyo Steering Systems Limited remains committed to high standards of corporate governance. The Company believes that appropriate disclosure procedures, transparent accounting policies, strong and independent Board practices and highest levels of ethical standards are critical to enhance and retain investor's trust and generate sustainable corporate growth. It is the conviction with that Sona has set in place systems, procedures and standards that are promoting good corporate governance standards within the Company.

The Securities and Exchange Board of India (SEBI) regulates corporate governance practices of companies listed on the Indian Stock Exchanges. These regulations are notified under Clause 49 of the Listing Agreements of all the Stock Exchanges in the country. This Clause specifies the standards that Indian companies have to meet and the disclosures that they have to make, with regard to corporate governance. SEBI has amended the provisions of Clause 49 of the Listing Agreement from time to time, thereby enhancing the scope of Corporate Governance practices for listed Companies. Your Company has established systems and procedures to comply with the provisions of the 'Code of Corporate Governance' and is complying with the same in its letter and spirit.

This section, along with the sections on Additional Shareholder Information and Management Discussion and Analysis, reports Sona's compliance with Clause 49 of the Listing Agreement.

## BOARD OF DIRECTORS

### a) **Composition of the Board**

The Board of Directors of your Company is having optimum combination of executive and non-executive directors. As on 31<sup>st</sup> March 2011, the Board of Sona consisted of twelve Directors. The Chairman, the Vice Chairman & Managing Director and the Deputy Managing Director are the Executive Directors of the Company. The remaining nine Directors are non-executive Directors, of which six are independent Directors.

JTEKT Corporation, Japan (JTEKT), the financial and technical collaborator of Sona, has nominated a non-executive Director on the Board of the Company. Maruti Suzuki India Limited (MSIL), which is the co-promoter of Sona as well as its major customer, has also nominated one non-executive Director on the Board of the Company.

### b) **Number of Board Meetings**

In the year ended 31<sup>st</sup> March 2011, Sona held four Board meetings on 30<sup>th</sup> April, 2010, 27<sup>th</sup> July, 2010, 29<sup>th</sup> October, 2010 and 28<sup>th</sup> January, 2011. The maximum time gap between any two Board Meetings during the year was less than four months.

### c) **Directors' attendance record and directorships held**

See Table 1 for details.



Table 1: Details of Board of Directors for the year ended 31<sup>st</sup> March, 2011

Name of Directors	Position	Board Meetings held during the period of Directorship	Board Meetings attended	Whether attended last AGM	Directorships held in other public limited companies incorporated in India ①
Dr. Surinder Kapur	Executive Chairman	4	4	Yes	9(2)
Mr. Sunjay Kapur	Vice Chairman & Managing Director (Son of Dr. S. Kapur)	4	4	Yes	3(-)
Mr. K. M. Deshmukh	Dy. Managing Director	4	4	Yes	2(-)
Mr. Kazuhiko Ayabe	Non-executive Director – Nominee of MSIL	4	4	Yes	Nil
Mr. Waichiro Ijiri ②	Non-executive Director – Nominee of JTEKT	2	2	Yes	1(-)
Mr. Hiroyuki Miyazaki ③	Non-executive Director – Nominee of JTEKT	2	2	N.A.	Nil
Mr. J. M. Kapur	Non-executive Director (Brother of Dr. S. Kapur)	4	2	Yes	Nil
Mr. P. K. Chadha	Independent Director ⑤	4	4	Yes	2(1)
Mr. Ravi Bhoothalingam	Independent Director ⑤	4	3	Yes	1(1)
Mr. Ramesh Suri	Independent Director ⑤	4	2	Yes	13(1)
Mr. B.L. Passi	Independent Director ⑤	4	1	No	3(1)
Lt.Gen.(Retd.) S.S.Mehta	Independent Director ⑤	4	3	Yes	1(-)
Dr. Rakesh Mohan ④	Independent Director ⑤	3	1	N.A.	2(1)

#### Notes :

① Figures in ( ) denotes listed Companies.

② Ceased to be Director with effect from 29<sup>th</sup> October, 2010 due to withdrawal of his nomination by JTEKT.

③ Appointed by the Board to fill casual vacancy in place of Mr. Waichiro Ijiri with effect from 29<sup>th</sup> October, 2010.

④ Appointed by the Board as Non-executive Independent Director with effect from 27<sup>th</sup> July, 2010.

⑤ 'Independent Director' is a non-executive director of the Company who:

- apart from receiving director's remuneration, does not have any material pecuniary relationships or transactions with the Company, its promoters, its directors, its senior management or its holding Company, its subsidiaries and associates which may affect independence of the director;
- is not related to promoters or persons occupying management positions at the Board level or at one level below the Board;
- has not been an executive of the Company in the immediately preceding three financial years;
- is not a partner or an executive or was not partner or an executive during the preceding three years, of any of the following:
  - the statutory audit firm or the internal audit firm that is associated with the Company, and
  - the legal firm(s) and consulting firm(s) that have a material association with the Company.
- is not a material supplier, service provider or customer or a lessor or lessee of the Company, which may affect independence of the director;
- is not a substantial shareholder of the Company i.e. owning two percent or more of the block of voting shares; and
- is not less than 21 years of age.

None of the Directors is a member of more than 10 Board-level Committees or a Chairman of more than five such Committees, as required under Clause 49 of the Listing Agreement.

d)

## Information supplied to the Board

Among others, this includes:

1. Annual operating plans and budgets and any updates.
2. Capital budgets and any updates.
3. Quarterly results of the Company and its operating divisions or business segments.
4. Minutes of meetings of Audit Committee and other Committees of the Board.
5. The information on recruitment and remuneration of senior officers just below the Board level, including appointment or removal of Chief Financial Officer and the Company Secretary.
6. Show cause, demand, prosecution notices and penalty notices, which are materially important.
7. Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.
8. Any material default in financial obligations to and by the Company, or substantial non-payment for goods sold by the Company.
9. Any issue, which involves possible public or product liability claims of substantial nature, including any judgement or order which, may have passed strictures on the conduct of the Company or taken an adverse view regarding another enterprise that can have negative implications on the Company.
10. Details of any joint venture or collaboration agreement.
11. Transactions that involve substantial payment towards goodwill, brand equity or intellectual property.
12. Significant labour problems and their proposed solutions. Any significant development in Human Resources/ Industrial Relations front like signing of wage agreement, implementation of Voluntary Retirement Scheme etc.
13. Sale, of material nature, of investments, subsidiaries, assets, which is not in normal course of business.
14. Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material.
15. Non-compliance of any regulatory, statutory or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer etc.

The Board periodically reviews compliance reports of all laws applicable to the Company, prepared by the Company as well as steps taken by the Company to rectify instances of non-compliances.

## e) **Directors with significant related party transactions, pecuniary or business relationship with the Company**

The Company has business transactions at prevailing market prices and terms with Pune Heat Treat (P) Ltd., a Company in which the wife of Sona's Chairman has a majority shareholding. The Company supplies components to Maruti Suzuki India Limited, the co-promoter of the Company and pays royalty, technical know-how fees and other charges to JTEKT for extending technology for manufacturing various auto components. All transactions are conducted at arm's length and at prevailing market prices. None of these transactions involve a conflict with the financial interests of Sona. The details of related party transactions are given in Schedule 18(20) to the Annual Accounts of the Company.

## f) **Remuneration of Directors: Sitting Fees, Salary, Perquisites and Commission**

Table 2 gives the details of the remuneration package of Directors and their relationships with each other.



Table 2: Remuneration (in Rs.) paid or payable to Directors for the year ended 31<sup>st</sup> March, 2011

Name of Directors		Sitting Fees ①	Comission on profits	Salary	Perquisites	Provident & Superannuation Fund	Total
Dr. Surinder Kapur	Brother of Mr. J. M. Kapur	N.A.	40,00,000	60,00,000	16,33,973	10,80,000	1,27,13,973
Mr. Sunjay Kapur	Son of Dr. Surinder Kapur	N.A.	1,62,00,000	42,00,000	85,32,194	11,34,000	3,00,66,194
Mr. K. M. Deshmukh	None	N.A.	54,00,000	31,10,000	19,20,600	7,87,200	1,12,17,800
Mr. Kazuhiko Ayabe	None	40,000	Nil	N.A.	N.A.	N.A.	40,000②
Mr. Waichiro Ijiri ③	None	20,000	Nil	N.A.	N.A.	N.A.	20,000
Mr. Hiroyuki Miyazaki④	None	20,000	Nil	N.A.	N.A.	N.A.	20,000
Mr. J. M. Kapur	Brother of Dr. Surinder Kapur	70,000	7,71,000	N.A.	N.A.	N.A.	8,41,000
Mr. P.K. Chadha	None	1,40,000	7,71,000	N.A.	N.A.	N.A.	9,11,000
Mr. Ravi Bhoothalingam	None	1,30,000	7,71,000	N.A.	N.A.	N.A.	9,01,000
Mr. Ramesh Suri	None	20,000	7,71,000	N.A.	N.A.	N.A.	7,91,000
Mr. B. L. Passi	None	10,000	7,71,000	N.A.	N.A.	N.A.	7,81,000
Lt.Gen(Retd.) S.S. Mehta	None	90,000	7,71,000	N.A.	N.A.	N.A.	8,61,000
Dr. Rakesh Mohan ⑤	None	10,000	7,71,000	N.A.	N.A.	N.A.	7,81,000

Notes:

- ① Sitting Fees includes the fees paid for attending the Committee Meetings.
- ② Sitting Fees for attending the Board Meetings was paid to the nominating Company MSIL.
- ③ Ceased to be a Director with effect from 29th October, 2010 due to withdrawal of his nomination by JTEKT.
- ④ Appointed by the Board to fill the casual vacancy in place of Mr. Waichiro Ijiri with effect from 29<sup>th</sup> October, 2010.
- ⑤ Appointed by the Board as Non-executive Independent Director with effect from 27<sup>th</sup> July, 2010.

The Company has not issued any Stock Option Shares.  
None of the employees are related to any of the Directors.

### Service contract of the Chairman, Managing Director and Dy. Managing Director

The Shareholders of the Company in Twenty Fourth Annual General Meeting held on 18<sup>th</sup> July, 2008, had approved the revised remuneration of Dr. Surinder Kapur, Chairman of the Company for the remaining period of his appointment i.e. up to 27<sup>th</sup> September, 2012. In this regard, an Agreement dated 18<sup>th</sup> July, 2008 was executed between the Company and Dr. Surinder Kapur. The severance fee of Dr. Surinder Kapur, Chairman shall be as per the provisions of the Companies Act, 1956.

The Shareholders of the Company in Twenty Sixth Annual General Meeting held on 27<sup>th</sup> July, 2010, had approved the revised remuneration of Mr. Sunjay Kapur, Managing Director of the Company with effect from 1<sup>st</sup> May, 2010 for the remaining period of his appointment i.e., upto 21<sup>st</sup> October, 2011. In this regard an agreement dated 27<sup>th</sup> July, 2010 was executed between the Company and Mr. Sunjay Kapur. The severance fee shall be as per the provisions of the Companies Act, 1956.

The Board of Directors of the Company in its meeting held on 28<sup>th</sup> April, 2011, considering the recommendation of the Remuneration Committee (meeting held on 28<sup>th</sup> April, 2011) and subject to the approval of the shareholders and such sanction(s), as may be necessary, has approved the re-appointment of Mr. Sunjay Kapur as Managing Director of the Company for a further period of three (3) years, with remuneration, with effect

from 22<sup>nd</sup> October, 2011. The resolution for the re-appointment of Mr. Sunjay Kapur is mentioned at Serial No. 9 of the Notice of the Annual General Meeting.

The Board of Directors of the Company in its meeting held on 29<sup>th</sup> October, 2010, considering the recommendation of Remuneration Committee (meeting held on 28<sup>th</sup> October, 2010) and subject to the approval of the Shareholders and such sanction(s), as may be necessary, has approved the revision in the remuneration payable to Mr K.M. Deshmukh, Dy. Managing Director of the Company, effective from 1<sup>st</sup> November, 2011. The resolution for revision in remuneration payable to Mr. K.M. Deshmukh, Dy. Managing Director of the Company, is mentioned at Serial No. 8 of the Notice of the Annual General Meeting.

### **Basis for compensation payment to the Independent / Non-executive Directors**

The Shareholders of the Company in its Annual General Meeting held on 18<sup>th</sup> July, 2008, subject to the approval of the Central Government, pursuant to the provisions of Section 198, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956, have approved payment and distribution of commission not exceeding 1 per cent of the net profits of the Company calculated in accordance with the provisions of Section 349 and 350 of the Companies Act, 1956, amongst the Directors or any of them or some of them other than the Managing Director / Whole-time Director(s) of the Company, as may be determined by the Board of Directors. The Government of India, Ministry of Finance, Department of Company Affairs vide its letter no. SRN/A 45890209/3/2009-CL.VII dated 4<sup>th</sup> June, 2009 has granted its approval to the above.

Accordingly, the Board of Directors of the Company in its meeting held on 28<sup>th</sup> April, 2011 has decided to pay Rs. 7,71,000/- each to the independent directors / non-executive directors (except Nominee Directors), by way of commission, out of the net profits for the Financial Year ended 31<sup>st</sup> March, 2011 of the Company.

### **g) Details of the shares and convertible instruments and Stock Option Shares held by the non-executive Directors**

See Table 3 for details

Table 3: Equity Shares, convertible instruments and Stock Option Shares held by the non-executive Directors as on 31<sup>st</sup> March, 2011

<b>Name of Directors</b>	<b>Number of Equity Shares held</b>	<b>Number of convertible instruments<sup>①</sup> / Stock Option Shares<sup>②</sup> held</b>
Mr. Kazuhiko Ayabe	Nil	N.A.
Mr. Waichiro Ijiri <sup>③</sup>	Nil	N.A.
Mr. Hiroyuki Miyazaki <sup>④</sup>	Nil	N.A.
Mr. J. M. Kapur	34,000	N.A.
Mr. P.K. Chadha	35,000	N.A.
Mr. Ravi Bhoothalingam	Nil	N.A.
Mr. Ramesh Suri	Nil	N.A.
Mr. B. L. Passi	Nil	N.A.
Lt. Gen. (Retd.) S.S.Mehta	Nil	N.A.
Dr. Rakesh Mohan <sup>⑤</sup>	Nil	N.A.

Notes:

- ① As on date Sona has not issued any Convertible Instruments to its Non-Executive Directors.
- ② Sona has not issued any Stock Option Shares to its Non-Executive Directors.
- ③ Ceased to be a Director with effect from 29<sup>th</sup> October, 2010 due to withdrawal of his nomination by JTEKT.
- ④ Appointed by the Board to fill the casual vacancy in place of Mr. Waichiro Ijiri with effect from 29<sup>th</sup> October, 2010.
- ⑤ Appointed by the Board as Non-executive Independent Director with effect from 27<sup>th</sup> July, 2010.



## h) Committees of the Board

### i) Audit Committee

As on 31<sup>st</sup> March, 2011, Audit Committee comprises of Mr. Ravi Bhoothalingam (Chairman), Mr. P. K. Chadha, Mr. Sunjay Kapur and Lt. Gen. (Retd.) S. S. Mehta. Except Mr. Sunjay Kapur, who is an Executive Director, all the members of the Audit Committee are independent. All members of the Audit Committee are financially literate and Mr. Ravi Bhoothalingam, the Chairman of the Audit Committee has accounting and related financial management expertise. The Committee met eight times during the year on 29<sup>th</sup> April, 2010, 26<sup>th</sup> July, 2010, 28<sup>th</sup> October, 2010, 9<sup>th</sup> December, 2010, 14<sup>th</sup> January, 2011, 27<sup>th</sup> January, 2011, 10<sup>th</sup> March, 2011 and 30<sup>th</sup> March, 2011. The maximum time gap between any two Audit Committee meetings during the year was less than four months. Minutes of the Audit Committee meetings were placed before and discussed by the Board. The attendance record of the Audit Committee is given in Table 4.

Table 4: Attendance Record of Audit Committee for the year ended 31<sup>st</sup> March, 2011

Name of Members	Position	Audit Committee Meetings held during the period of Membership	Audit Committee Meetings attended
Mr. Ravi Bhoothalingam	Chairman (Independent Director)	8	8
Mr. P.K. Chadha	Member (Independent Director)	8	8
Mr. Sunjay Kapur	Member (Vice Chairman & Managing Director)	8	8
Lt. Gen. (Retd.) S.S.Mehta	Member (Independent Director)	8	6

The Audit Committee of Sona performs the following functions:

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
  - a. Matters required to be included in the Directors' Responsibility Statement to be included in the Board's report in terms of Clause (2AA) of Section 217 of the Companies Act, 1956;
  - b. Changes, if any, in accounting policies and practices and reasons for the same;
  - c. Major accounting entries involving estimates based on the exercise of judgment by management;
  - d. Significant adjustments made in the financial statements arising out of audit findings;
  - e. Compliance with listing and other legal requirements relating to financial statements;
  - f. Disclosure of any related party transactions; and
  - g. Qualifications in the draft audit report;
5. Reviewing, with the management, the quarterly financial statements before submission to the Board for approval.
- 5A. Reviewing, with the management, the statement of uses/application of funds raised through an issue (public issue, right issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or right issue, and making appropriate recommendations to the Board to take up steps in this matter.

6. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
7. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
8. Discussion with Internal Auditors any significant findings and follow up thereon.
9. Reviewing the findings of any internal investigations by the Internal Auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
10. Discussion with Statutory Auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
11. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
12. To review the functioning of the Whistle Blower Mechanism, in case same is existing.
13. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

The Audit Committee of Sona reviews the following information:

1. Management discussion and analysis of financial condition and results of operations;
2. Statement of significant related party transactions (as defined by the Audit Committee) submitted by management;
3. Management letters / letters of internal control weaknesses issued by the Statutory Auditors;
4. Internal audit reports relating to internal control weaknesses; and
5. The appointment, removal and terms of remuneration of the Chief Internal Auditor.

The Audit Committee is also empowered with the following powers:

1. To investigate any activity within its terms of reference;
2. To seek any information it requires from any employee;
3. To obtain outside legal or other independent professional advice; and
4. To secure attendance of outsiders with relevant expertise, if considered necessary.

The Audit Committee is also apprised on information with regard to related party transactions, by being presented:

1. A statement in summary form of transactions with related parties in the ordinary course of business;
2. Details of material individual transactions with related parties which are not in the normal course of business;
3. Details of material individual transactions with related parties or others, which are not on an arm's length basis together with Management's justification for the same.

The Chairman of the Audit Committee was present at the last Annual General Meeting to answer shareholders' queries. The Audit Committee is regularly apprised of the various follow-up actions taken on the direction of the Audit Committee. Mr. Sudhir Chopra, Company Secretary of Sona, is the Secretary to the Committee. The Audit Committee regularly invites such executives as it considers appropriate, including the head of the finance function, the head of internal audit and the representative of the statutory auditors, to be present at the meetings of the Committee.

## ii) **Shareholders / Investors Grievance Committee**

The 'Shareholders / Investors Grievance Committee' comprises of Dr. Surinder Kapur, Chairman and Mr. J. M. Kapur, Non-Executive Director. The Committee looks into the redressal of shareholders' and investors' complaints related to transfer of shares, non-receipt of balance sheet, non-receipt of dividend and ensure expeditious share transfer process. Minutes of the Shareholders/Investors Grievance Committee meetings were placed before and discussed by the Board. The Committee met four times during the year on 3<sup>rd</sup> April, 2010, 7<sup>th</sup> July, 2010, 7<sup>th</sup> October, 2010 and 7<sup>th</sup> January, 2011. The attendance record of the 'Shareholders / Investors Grievance Committee' is presented in Table 5:



Table 5 : Attendance Record of Shareholders/Investors Grievance Committee for the year ended 31<sup>st</sup> March, 2011

Name of Members	Position	Shareholders/ Investors Grievance Committee Meetings held during the period of Membership	Shareholders/ Investors Grievance Committee Meetings Attended
Mr. J. M. Kapur	Chairman (Non-Executive Director)	4	4
Dr. Surinder Kapur	Member (Chairman)	4	4

iii) **Remuneration Committee**

Pursuant to the provisions of Schedule XIII to the Companies Act, 1956 and Clause 49 of the Listing Agreement, Remuneration Committee was set up by the Board of Directors in its meeting held on 27<sup>th</sup> March 2002. As on 31<sup>st</sup> March, 2011, Remuneration Committee comprises of Mr. P.K. Chadha (Chairman), Independent Director; Mr. Ravi Bhoothalingam, Independent Director; Mr. B.L. Passi, Independent Director and Mr. J.M. Kapur, Non-Executive Director. The Company's Remuneration Committee is vested with all necessary powers and authorities to ensure appropriate disclosure on the remuneration of the Directors and to deal with all elements of remuneration package of all whole time Directors.

The Committee met twice during the year on 30<sup>th</sup> April 2010 and 28<sup>th</sup> October, 2010. Minutes of the Remuneration Committee were placed before and discussed by the Board. The attendance record of the Remuneration Committee is presented in Table 6:

Table 6 : Attendance Record of Remuneration Committee for the year ended 31<sup>st</sup> March, 2011

Name of Members	Position	Remuneration Committee Meetings held during the period of Membership	Remuneration Committee Meetings Attended
Mr. P.K. Chadha	Chairman (Independent Director)	2	2
Mr. Ravi Bhoothalingam	Member (Independent Director)	2	2
Mr. B.L. Passi	Member (Independent Director)	2	0
Mr. J.M. Kapur	Member(Non-Executive Director)	2	1

iv) **Risk Committee**

The Risk Committee of Directors has been constituted by the Board of Directors of the Company in their meeting held on 27<sup>th</sup> January, 2011. As on 31<sup>st</sup> March, 2011, Risk Committee comprises of Lt.Gen.(Retd.) Shamsher Singh Mehta (Chairman), Mr. Sunjay Kapur (Member), Mr. P.K. Chadha (Member), Dr. Rakesh Mohan (Member). Except Mr. Sunjay Kapur, who is an Executive Director, all the members of the Risk Committee are independent. The purpose of the Committee of the Board of Directors shall be to assist the Board with regard to the identification, evaluation and mitigation of operational, strategic and external risks. The Committee has the overall responsibility of monitoring and approving the risk policies and associated practices of the Company. The Committee is also responsible for reviewing and approving risk disclosure statements in any public documents or disclosures.

v) **Nomination and Governance Committee**

The Nomination and Governance Committee of Directors has been constituted by the Board of Directors of the Company in their meeting held on 27<sup>th</sup> January, 2011. As on 31<sup>st</sup> March, 2011, Nomination and Governance Committee comprises of Mr. P.K. Chadha, Chairman (Independent Director), Dr.

Surinder Kapur, Member (Executive Director), Mr. J.M. Kapur, Member (Non Executive Director), Mr. Ramesh Suri, Member (Independent Director). The purpose of the Committee of the Board of Directors shall be to assist the Board with regard to nomination of Directors on the Board of Subsidiary / Joint Venture Companies of the Company. The Committee shall also review principles of Corporate Governance of the Company.

## **MANAGEMENT**

### **a) Management discussion and analysis**

This Annual Report has a detailed section on management discussion and analysis.

### **b) Disclosures by management to the Board**

All details relating to financial and commercial transactions where Directors may have a potential interest are provided to the Board and the interested Directors neither participate in the discussion nor do they vote on such matters.

In compliance with SEBI regulations on prevention of insider trading, the Company has instituted a comprehensive code of conduct for its management staff and relevant business associates. The code lays down guidelines, which advises them on procedures to be followed and disclosures to be made, while dealing with shares of Sona and cautioning them on consequences of violations.

### **c) Code of Conduct**

The Board of Directors of the Company in their meeting held on 28<sup>th</sup> October, 2005 has adopted the 'Code of Conduct' for all Board Members and designated members of Senior Management of the Company. Designated 'Senior Management' comprises personnel of the Company who are members of its core management team and, inter-alia, comprises all members of management one level below the Executive Directors, including all functional heads. The code of conduct is available on the website of the Company [www.sonagroup.com](http://www.sonagroup.com). All Board members and designated senior management personnel have affirmed compliance with the Code of Conduct. A declaration signed by the Managing Director to this effect is enclosed at the end of this report.

### **d) Risk Management**

Sona's Board has laid down the procedure to inform Board members about the risk assessment and minimization procedures. These procedures are being periodically reviewed to ensure that management control risk through means of a properly defined framework.

### **e) Subsidiary Companies**

As per provisions of Clause 49 (III) of the Listing Agreement with the Stock Exchanges, the minutes of the Board Meetings of the existing subsidiary companies (JTEKT SONA Automotive India Limited, Sona Fuji Kiko Automotive Limited and Sona Stampings Limited (earlier known as 'Arjan Stampings Limited')) and a statement, wherever applicable, of all significant transactions and arrangements entered by the existing subsidiary companies have been prepared and presented to the Board of Sona. The Audit Committee of Sona has also reviewed the Financial Statements of existing subsidiary companies.

### **f) Disclosure of accounting treatment in preparation of financial statements**

Sona has followed the guidelines of accounting standards laid down by the Institute of Chartered Accountants of India (ICAI) in preparation of its financial statements.

### **g) CEO/ CFO Certification**

The CEO and CFO certification on the financial statements for the year is attached at the end of the report.



## SHAREHOLDERS

### a) **Disclosures regarding appointment or re-appointment of Directors.**

Pursuant to the Articles of Association of Sona, at every Annual General Meeting of the Company, one-third of the rotational Directors retire by rotation or if their number is not three or a multiple of three, the number nearest to one-third retire from office.

Accordingly, Mr. B.L. Passi, Mr. J.M. Kapur and Mr. Ravi Bhoothalingam shall retire at the forthcoming Annual General Meeting of the Company and being eligible, offer themselves for re-appointment.

During the year, the Board of Directors of Sona in their meeting held on 27<sup>th</sup> July, 2010 appointed Dr. Rakesh Mohan as Additional Director of the Company.

The Board of Directors in their meeting held on 28<sup>th</sup> April, 2011 have approved the re-appointment of Mr. Sunjay Kapur as Managing Director of the Company for a further period of three years, with remuneration, with effect from 22<sup>nd</sup> October, 2011.

The brief resumes of the Directors seeking appointment / re-appointment and details of their shareholding in the Company are as follows:

- **Mr. B.L. Passi** (75 years), has over 44 years of experience in the field of finance, automobile trade, transportation and agriculture. Mr. Passi is one of the largest automobile distributors in the country. He had served on the Boards and sub-committees of nationalized banks like the Bank of India and Central Bank of India. He was also a member of the Board of Directors of Rajasthan State Industrial & Mineral Development Corporation Limited and served as a member of the New Delhi Municipal Committee (NDMC) and Chairman of Projects Negotiations and Tender Sub Committee of NDMC. He serves on Board of Directors of companies like Tata Housing & Development Co. Limited and Banares Hotels Limited. Mr. B. L. Passi does not hold any Equity Shares of the Company.
- **Mr. J.M. Kapur** (69 years), has been on the Board of the Company since May, 1994. He possesses vast knowledge and experience in the field of trade and business. He has led the Kapur family business in the area of jewellery retail, estate development and management since, 1961 and possesses vast expertise in these areas. He serves on the Board of Sumish Finance and Investment Co. Pvt. Ltd., Maa Estate Pvt. Ltd. and Jyoti Arn Associates Pvt. Ltd. Mr. J.M. Kapur holds 34,000 nos. of Equity Shares of the Company.
- **Mr. Ravi Bhoothalingam** (65 years), is Chief Executive of Manas Advisory, a Consultancy practice focusing on change management, travel and tourism. Until 30<sup>th</sup> June 2001 he was President of The Oberoi Group of Hotels and in this capacity responsible for the operations of the Group Worldwide, consisting of thirty-two hotels, flight catering units and luxury cruise ships in six countries across Asia. Prior to joining The Oberoi Group, he was Head of Personnel Worldwide with BAT plc, U.K, Managing Director of VST Industries Ltd. and Director ITC Limited. He serves on the Board of Dr. Reddy's Laboratories Ltd. He is Chairman of Shareholders' Grievance Committee and Investment Committee and Member of Nomination, Governance & Compensation Committee, Management Committee and Audit Committee of Dr. Reddy's Laboratories Ltd. Mr. Bhoothalingam does not hold any Equity Shares of the Company.
- **Dr. Rakesh Mohan** (63 years) Dr. Rakesh Mohan is Non Resident Senior Research Fellow of Stanford Centre for International Development, Stanford University. He has been Deputy Governor of the Reserve Bank of India for many years (2005-2009 and 2002-2004) and held senior positions in the Government of India including Secretary, Department of Economic Affairs (2004-2005) as well as Chief Economic Advisor to the Government of India (2001-2002), Director General of National Council for Applied Economic Research, and Chief Executive of Indian Council for Research and International Economic Relations. As the Economic Adviser to the Government of India in the Ministry of Industry (1988-1996) he played a major role in the formulation of the new Industrial, Trade and Foreign Investment Policy.

Dr. Rakesh Mohan is well known and respected internationally for his extensive work in the areas of economic reforms and liberalization, industrial economics, urban economics, infrastructure studies, economic regulation, monetary policy and the financial sector. He has been advisor / member on the Board of many key bodies working to enhance economic cooperation nationally and internationally, and promoting sound regulation and transparency in economic and industrial activity. Lately he also co-chaired the G20 Working Group 'Enhancing Sound Regulations and Strengthening Transparency'. He serves on the Board of Nestle India Limited, DSP Blackrock Investment Managers Private Limited and Tata Autocomp Systems Limited. He does not hold any Equity Shares of the Company.

- **Mr. Sunjay Kapur** (39 years), is a graduate in Business Administration from Buckingham University, U.K., with major in Business Strategy and Human Relations. Mr. Sunjay Kapur had worked with TRW, USA, a world-renowned name in Automotive Industry. In TRW, USA he had gained experience by working on Shop Floor and was exposed to real problems faced by a worker working on the Shop Floor. Mr. Sunjay Kapur has been associated with the Company from April 1996 to March, 2004 in the capacity of an employee. The Board of Directors of the Company appointed Mr. Sunjay Kapur as an Additional Director of the Company in its meeting held on 12<sup>th</sup> April, 2004. Mr. Sunjay Kapur serves on the Board of Sona Okegawa Precision Forgings Limited, Sona Mobility Services Limited, Sona e-Design & Technologies Limited, Sona Autocomp Holding Private Limited and SONA BLW Prazisionsschmiede GmbH, Germany. He is member of Audit Committee and Remuneration Committee of Sona Okegawa Precision Forgings Limited. He holds the position of Chairman of the Audit Committee and Remuneration Committee of Sona Mobility Services Limited. Mr. Sunjay Kapur is holding 3300 nos. of Equity Shares of the Company

#### b) **Communication to Shareholders**

All important information relating to the Company and its performance, including quarterly financial results and shareholding pattern are posted on the web-site [www.sonagroup.com](http://www.sonagroup.com). The web-site also displays all official press releases and presentation to analysts made by the Company.

The quarterly, half-yearly and annual results of the Company's performance are published in newspapers namely 'Business Standard' (English) and 'Business Standard' (Hindi).

#### c) **Investor Grievances**

As mentioned earlier in this section, the Company has constituted a Shareholders' / Investors' Grievances Committee for redressing shareholders' and investors' complaints. The status of complaints is reported to the Board of Directors in their meetings. Mr. Sudhir Chopra, Company Secretary, is the Compliance Officer.

Pursuant to sub clause (f) of Clause 47 of the Listing Agreement, which requires all the Listed Companies to designate an e-mail id of the grievance redressal division/compliance officer exclusively for the purpose of registering complaints by investors, the Company has created an e-mail id i.e. [investorgrievance@sonagroup.com](mailto:investorgrievance@sonagroup.com).

#### d) **Share Transfer**

M/s. Karvy Computershare Pvt. Ltd. (Karvy), the Registrar and Transfer Agent of the Company conducts all share transfers and related matters both for physical transfer of Securities as well as de-materialisation / re-materialisation of Securities. Karvy is registered with the SEBI as a Category 1 Registrar.

#### e) **Details of non-compliance**

The Company has complied with all the requirements of regulatory authorities and no penalties or strictures were imposed on the Company by any stock exchange or SEBI or any statutory authority on any matter related to capital market during the last 3 years.



f) **General Body Meeting**

Details of the last three Annual General Meetings are given in Table 7.

Table 7: Date, time and venue of the last three Annual General Meetings

Financial Year (Ended)	Date	Time	Venue
31 <sup>st</sup> March 2008	18 <sup>th</sup> July, 2008	10:00 A.M.	Air Force Auditorium Subroto Park New Delhi-110 010.
31 <sup>st</sup> March 2009	31 <sup>st</sup> July, 2009	10:00 A.M.	Air Force Auditorium Subroto Park New Delhi-110 010.
31 <sup>st</sup> March 2010	27 <sup>th</sup> July 2010	10.00 A.M.	Air Force Auditorium Subroto Park New Delhi-110 010.

g) **Special Resolutions**

In the ensuing 27<sup>th</sup> Annual General Meeting of the Company to be held on 2nd August, 2011, the shareholders' consent is being sought by way of Special Resolution for:

- Revision in the remuneration payable to Mr. K.M. Deshmukh, Dy. Managing Director of the Company.
- Re-appointment of Mr. Sunjay Kapur as Managing Director of the Company.

The details of Special Resolutions passed in the previous three Annual General Meetings of the Company are as under:

26th Annual General Meeting held on 27th July, 2010

- Revision in the remuneration payable to Mr. Sunjay Kapur, Managing Director of the Company.

25th Annual General Meeting held on 31st July, 2009

- Appointment of Mr. Sunjay Kapur as Managing Director of the Company.

24th Annual General Meeting held on 18th July, 2008

- Remuneration to non-wholetime director.
- Amendment in Memorandum and Articles of Association consequent upon sub-division of shares.

h) **Postal ballots**

Section 192A of the Companies Act, 1956, read with Para 4 of the Companies (Passing of Resolution by Postal Ballot) Rules, 2001 provides certain matters to be passed by the Company through Postal Ballot only.

At the ensuing Annual General Meeting to be held on 2<sup>nd</sup> August, 2011 there is no matter proposed to be passed by the Company, which requires Postal Ballot. Also, there was no matter passed through Postal Ballots at the 26<sup>th</sup> Annual General Meeting of the Company.

### **Mandatory requirements**

Sona is compliant with the applicable mandatory requirements of Clause 49 of the Listing Agreement.

### **Adoption of non-mandatory requirements**

Although it is not mandatory as per Clause 49 of the Listing Agreement, a Remuneration Committee of the Board is in place. Details of the Remuneration Committee have been provided under the Section 'Remuneration Committee'.

### **Auditors' certificate on Corporate Governance**

As required by Clause 49 of the Listing Agreement, the Auditors' Certificate is given below :

**AUDITORS' CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT**

The Member of  
SONA KOYO STEERING SYSTEMS LIMITED

We have examined the compliance of the conditions of Corporate Governance by SONA KOYO STEERING SYSTEMS LIMITED ("the Company") for the year ended 31<sup>st</sup> March 2011 as stipulated in Clause 49 of the Listing Agreement of the Company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to a review of procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and based upon the representations made by the directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above-mentioned Listing Agreement except Clause 49 1A of the said Listing Agreement for the period 1<sup>st</sup> April, 2010 to 27<sup>th</sup> July, 2010.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Place : New Delhi  
Dated : 28<sup>th</sup> April, 2011

For S.P. Puri & Co.  
Chartered Accountants  
(FRN : 001152N)

(Rajiv Puri- Partner)  
Membership No. 84318



# Additional Shareholder Information

## ANNUAL GENERAL MEETING

Date	:	2 <sup>nd</sup> August, 2011
Venue	:	The Air Force Auditorium Subroto Park New Delhi 110 010.
Time	:	10.00 A.M.

## FINANCIAL CALENDAR

Financial year	:	1 <sup>st</sup> April to 31 <sup>st</sup> March.
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For the year ended 31<sup>st</sup> March, 2011, results were announced on:

- 30<sup>th</sup> April, 2010 : First Quarter
- 27<sup>th</sup> July, 2010 : Second Quarter
- 29<sup>th</sup> October, 2011 : Third Quarter
- 28<sup>th</sup> January, 2011 : Annual

## BOOK CLOSURE

The dates of book closure are from 26<sup>th</sup> July, 2011 to 2<sup>nd</sup> August, 2011 inclusive of both days.

## DIVIDEND RATE

A 65 per cent dividend on Equity Share Capital was recommended on 28<sup>th</sup> April, 2011 and subject to approval from the shareholders at the Annual General Meeting, will be paid between 10<sup>th</sup> August, 2011 to 16<sup>th</sup> August, 2011.

## LISTING

The Company's Equity Shares are listed on Bombay Stock Exchange Limited and National Stock Exchange of India Limited.

## STOCK CODES

Table 1: Stock Codes

Name of the Stock Exchanges	Stock Code
Bombay Stock Exchange Limited	520057
National Stock Exchange of India Limited	SONASTEER

The ISIN Number of Sona (or demat number) on both NSDL and CDSL is INE643A01035

## STOCK DATA

Table 2 gives the monthly high and low prices and volumes of Equity Shares of Sona at Bombay Stock Exchange Ltd. (BSE) and National Stock Exchange of India Limited (NSE) for the year ended 31<sup>st</sup> March, 2011.

Table 2: Monthly share price\* (In Rs.) data and volumes on BSE and NSE

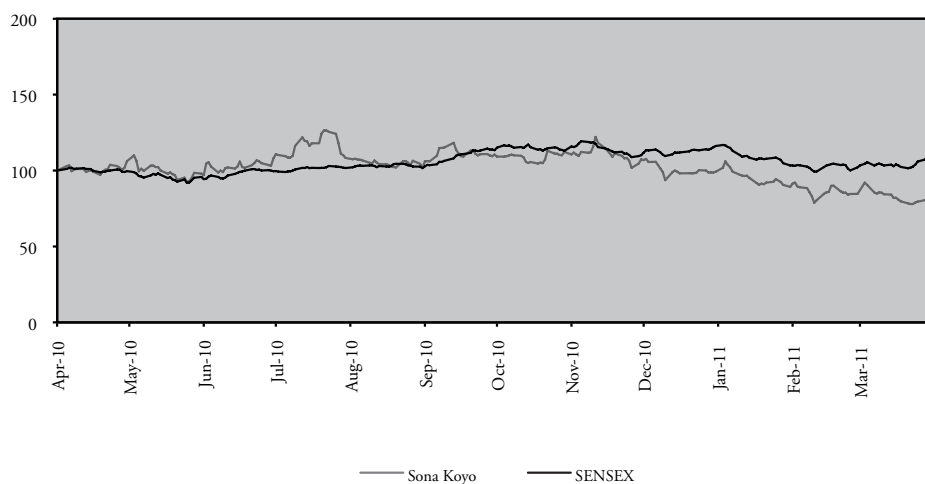
Month and year	BSE			NSE		
	High	Low	Volumes	High	Low	Volumes
April, 2010	20.45	17.75	4309188	20.45	17.15	4441197
May, 2010	20.90	16.70	3160699	20.85	16.60	3243769
June, 2010	21.20	17.65	3593446	21.20	17.60	4384959
July, 2010	24.35	19.65	12594910	24.30	19.40	14075179
August, 2010	20.70	18.55	3954537	20.50	18.70	4490861
September, 2010	22.90	19.50	6459268	23.10	19.45	7247680
October, 2010	21.70	18.95	6378679	21.40	18.95	7928632
November, 2010	23.30	18.00	8227383	23.25	18.05	8073611
December, 2010	20.30	16.60	2242632	20.35	17.10	2330305
January, 2011	20.20	16.25	1749905	20.20	16.20	2043322
February, 2011	17.80	14.20	1856128	17.85	14.00	1760307
March, 2011	17.70	14.20	3010824	17.45	14.15	3014175

Notes:

High and Low are in rupees per traded share. These are simple, un-weighted average. Volume is the total monthly volume of trade (in number) in Sona's shares on the BSE & NSE.

\* Face Value of Sona's Share is Re. 1/- each.

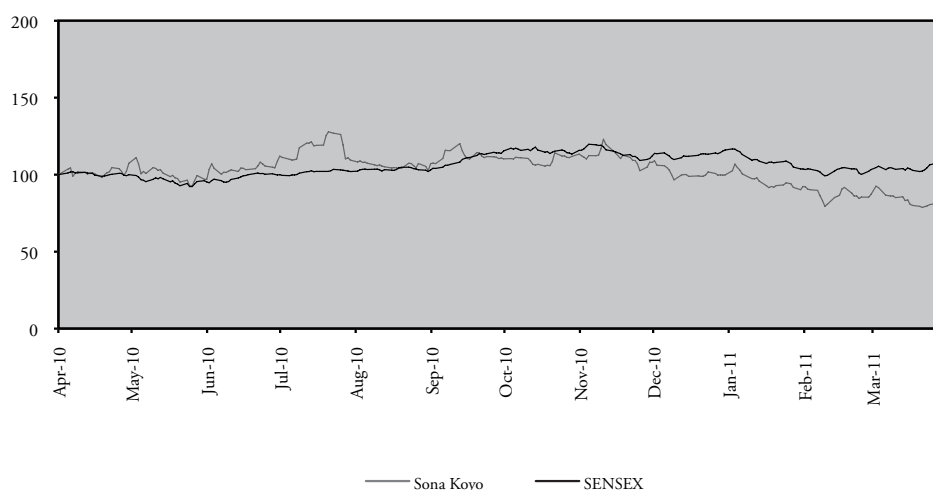
Chart A: Sona's adjusted closing share price with BSE Sensex for 2010-2011.



Note: Sona Koyo share prices at the BSE and the BSE Sensex have been indexed to 100 as on the first working day of 2010-11



Chart B: Sona's adjusted closing share price with Nifty for 2010-2011.



Note: Sona Koyo share prices at the NSE and the NSE Nifty have been indexed to 100 as on the first working day of 2010-11

## DISTRIBUTION OF SHAREHOLDING

Table 3 and 4 give the distribution pattern of shareholding of Sona as on 31<sup>st</sup> March 2011.

Table 3 : Distribution of shareholding by size class as on 31<sup>st</sup> March, 2011.

Amount	Number of shareholders	Number of shares held	Shareholding %
Upto 5000	46365	33046855	16.63
5001-10000	1239	9317885	4.69
10001-20000	477	7072012	3.56
20001-30000	133	3377427	1.70
30001-40000	55	1977859	1.00
40001-50000	26	1255552	0.63
50001-100000	64	4521875	2.27
100001 & above	68	138172367	69.52
Total	48427	198741832	100.00

Table 4: Distribution of shareholding by ownership as on 31<sup>st</sup> March, 2011

Category Code	Category of Shareholder	Number of Share Holders	Total Number of Shares	Number of shares held in dematerialised form	Total shareholding as a percentage of total number of shares		Shares pledged or otherwise encumbered	
					As a Percentage of (A+B)	As a Percentage of (A+B+C)	Number of Shares	As a Percentage
A)	Shareholding of Promoter and Promoter Group							
1	Indian							
a)	Individuals/Hindu Undivided Family	15	948760	670460	0.48	0.48	0	0.00
b)	Central Government/State Government(s)	0	0	0	0.00	0.00	0	0.00
c)	Bodies Corporate	3	63748304	63748304	32.08	32.08	0	0.00
d)	Financial Institutions / Banks	0	0	0	0.00	0.00	0	0.00
e)	Any Other	0	0	0	0.00	0.00	0	0.00
	Sub-Total (A)(1)	18	64697064	64418764	32.55	32.55	0	0.00
2	Foreign							
a)	Individuals (Non-Resident Individuals/Foreign Individuals)	0	0	0	0.00	0.00	0	0.00
b)	Bodies Corporate	1	39947108	39947108	20.10	20.10	0	0.00
c)	Institutions	0	0	0	0.00	0.00	0	0.00
d)	Any Other	0	0	0	0.00	0.00	0	0.00
	Sub-Total (A)(2)	1	39947108	39947108	20.10	20.10	0	0.00
	Total Shareholding of Promoter and Promoter Group (A1 + A2)	19	104644172	104365872	52.65	52.65	0	0.00
B)	Public Shareholding							
1	Institutions						NA	NA
a)	Mutual Funds/UTI	6	1094146	1075146	0.55	0.55		
b)	Financial Institutions / Banks	6	55420	49120	0.03	0.03		
c)	Central Government/State Government(s)	0	0	0	0.00	0.00		
d)	Venture Capital Funds	0	0	0	0.00	0.00		
e)	Insurance Companies	1	1200000	1200000	0.60	0.60		
f)	Foreign Institutional Investors	3	333819	333819	0.17	0.17		
g)	Foreign Venture Capital Investors	0	0	0	0.00	0.00		
h)	Any Other	0	0	0	0.00	0.00		
	Sub-Total (B)(1)	16	2683385	2658085	1.35	1.35		
2	Non-Institutions						NA	NA
a)	Bodies Corporate	766	19826792	19602172	9.98	9.98		
b)	Individuals							
	i) Individual shareholders holding nominal share capital upto Rs. 1 lakh	46568	52842782	45252250	26.59	26.59		
	ii) Individual shareholders holding nominal share capital in excess of Rs. 1 Lakh	34	13949291	13949291	7.02	7.02		



c)	Any Other							
	Trust	3	2500	2500	0.00	0.00		
	HUF	937	4541237	4541237	2.28	2.28		
	Clearing Members	84	251673	251673	0.13	0.13		
	Sub-Total (B)(2)	48392	91414275	83599123	46.00	46.00		
	Total Public Shareholding (B)=(B1+B2)	48408	94097660	86257208	47.35	47.35	NA	NA
	Total (A)+(B)	48427	198741832	190623080	100.00	100.00		
C)	Shares held by Custodians and against which Depository Receipts have been issued	0.00	0.00	0.00	0.00	0.00		
1	Promoter and Promoter Group	0.00	0.00	0.00	0.00	0.00		
2	Public	0.00	0.00	0.00	0.00	0.00		
	Grand Total (A) + (B) + (C)	48427	198741832	190623080	100.00	100.00		

## SHARES HELD IN PHYSICAL AND DEMATERIALIZED FORM

As on 31<sup>st</sup> March, 2011, 95.91 per cent of Sona's shares were held in dematerialized form and the rest in physical form. The promoter, co-promoter and their associates own 52.65 per cent of Sona's shares, out of which 99.73 per cent are held in dematerialized form. If the shares held by the promoters in the physical form are to be excluded from the total number of shares, then dematerialized shares account for 96.05 per cent of the remainder.

## EQUITY SHARES IN THE SUSPENSE ACCOUNT

As per Clause 5A(II) of the Listing Agreement, reminders have been issued for shares issued in physical form, which remain unclaimed. These shares will be transferred into one folio in the name of "Unclaimed Suspense Account" in due course.

## OUTSTANDING GDRS/ADRS/ WARRANTS / CONVERTIBLE INSTRUMENTS AND THEIR IMPACT ON EQUITY

The Company has no outstanding GDRs, ADRs, Warrants or any Convertible Instruments.

## DETAILS OF PUBLIC FUNDING OBTAINED IN THE LAST THREE YEARS

The Company has not obtained any public funding in the last three years.

## SHARE TRANSFER SYSTEM

All share transfers and related operations are conducted by M/s. Karvy Computershare Pvt. Ltd., the Registrar and Transfer Agent of the Company, which is registered with the SEBI as a Category 1 Registrar.

The Company has constituted a Shareholders / Investors Grievances Committee for redressing shareholders' and investors' complaints.

Investor correspondence should be addressed to:

- 1) **Karvy Computershare Pvt. Ltd.**  
(Unit : Sona Koyo Steering Systems Limited)  
105-108, Arunachal Building  
19, Barakhamba Road  
New Delhi – 110 001

- 2) **The Company Secretary**  
**Sona Koyo Steering Systems Ltd.**  
 UGF 6, Indra Prakash  
 21 Barakhamba Road  
 New Delhi – 110 001.

Also, to expedite the process of share transfer, the Board of Sona has delegated the power of share transfer to Mr. Sudhir Chopra, its Compliance Officer and accordingly the share transfer formalities are being adhered to at least once in a fortnight.

## UNCLAIMED DIVIDENDS

Under the Companies Act, 1956, dividends that are unclaimed for a period of seven years have to be transferred to the Investor Education and Protection Fund administered by the Central Government. Table 5 gives the date of dividend declaration or payment since 2004 and the corresponding dates when unclaimed dividends are due to be transferred to the Central Government. Table 6 gives the unclaimed dividend amount since 2004.

Table 5: Date of transferring unclaimed dividend to the Central Government.

Year	Type	Date of declaration	Date due for transfer to Central Government
2004	Final	21 <sup>st</sup> July, 2004	20 <sup>th</sup> August, 2011
2005	Final	19 <sup>th</sup> July, 2005	18 <sup>th</sup> August, 2012
2006	Final	19 <sup>th</sup> July, 2006	18 <sup>th</sup> August, 2013
2007	Final	18 <sup>th</sup> July, 2007	17 <sup>th</sup> August, 2014
2008	Final	18 <sup>th</sup> July, 2008	17 <sup>th</sup> August, 2015
2010	Final	27 <sup>th</sup> July, 2010	26 <sup>th</sup> August, 2017

Table 6: Unclaimed dividend as on 31<sup>st</sup> March, 2011.

Year	Type	No. of warrants issued	No. of warrants unclaimed	% unclaimed	Amount of dividend (Rs. Lacs)	Dividend unclaimed (Rs.Lacs)	% unclaimed
2004	Final	12399	773	6.23	351.74	3.95	1.12
2005	Final	22054	1299	5.89	439.67	5.97	1.36
2006	Final	32137	1458	4.54	439.67	5.73	1.30
2007	Final	31875	2107	6.61	678.64	7.48	1.10
2008	Final	28886	2306	7.98	695.61	7.08	1.02
2010	Final	39648	3240	8.17	596.23	8.75	1.47



## NUMBER AND NATURE OF COMPLAINTS REGARDING SHARES

Table 7 gives the data on Investors' complaints during the year ended 31<sup>st</sup> March, 2011.

Table 7: Details of Investor complaints regarding shares for the year 2010-2011.

Nature of complaint	Number of complaints	Number redressed
Non-receipt of dividend / Interest / Redemption	5	5
Non-receipt of sub-divided Equity Shares	1	1
Non-receipt of Annual Report	11	11
Others	0	0
Total	17	17

## PLANT LOCATIONS

- 38/6, NH-8, Delhi-Jaipur Road, Gurgaon-122001 (Haryana).
- P.O. Box 14, Chennai-Bangalore Highway, Sriperumbudur, Distt. Chinglepet, Tamil Nadu – 602 105.
- Plot No. 32, Industrial Area Phase II, Dharuhera, Dist. Rewari (Haryana).
- Plot No. D-9, TML Vendor Park, Survey No. 1, Village Northcotepura, Sanand, Amhedabad (Gujarat).

## REGISTERED OFFICE

- UGF-6, Indrapraksh, 21 Barakhamba Road, New Delhi – 110 001.

## CERTIFICATION BY CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

As required by Clause 49 of the Listing Agreement, the CEO and CFO declaration is given below:

To the Board of Directors  
Sona Koyo Steering Systems Limited

We, Sunjay Kapur, Vice Chairman & Managing Director and Rajiv Chanana, Chief Financial Officer, of Sona Koyo Steering Systems Limited, hereby certify to the Board that:

- a) We have reviewed financial statements and the cash flow statement for the year and that to the best of our knowledge and belief:
  - i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - ii) These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b) There are, to the best of our knowledge and belief, no transactions entered into by Sona Koyo Steering Systems Limited during the year which are fraudulent, illegal or violative of the Company's code of conduct.
- c) We are responsible for establishing and maintaining internal controls for financial reporting in Sona Koyo Steering Systems Limited and we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting. We have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- d) We have indicated to the Auditors and the Audit Committee:
  - i) Significant changes in internal control over financial reporting during the year;
  - ii) Significant changes in accounting policies during the year and the same have been disclosed in the notes to the financial statements; and
  - iii) Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system.
- e) We affirm that we have not denied any personnel access to the Audit Committee of the Company (in respect of matters involving alleged misconduct).
- f) We further declare that all Board members and senior management have affirmed compliance with the code of conduct for the current year.

For Sona Koyo Steering Systems Limited

Place : New Delhi  
Dated : 28<sup>th</sup> April, 2011

Rajiv Chanana  
Chief Financial Officer

Sunjay Kapur  
Vice Chairman & Managing Director

## DIRECTORS' REPORT

TO THE MEMBERS,

Your Directors have pleasure in presenting the Annual Report together with audited accounts of the Company for the year ended 31<sup>st</sup> March, 2011.

### Performance

	2010-11 Rs./Lacs	2009-10 Rs./Lacs
Sales and Other Income	104159	85579
Profit before Interest & Depreciation	11269	9316
- Interest	3275	3361
- Depreciation & Write Offs	2844	2658
Profit before Tax	5150	3297
Less : Provision for Tax	768	25
Provision for Deferred Tax Liability/(Assets)	710	1107
Provision for Fringe Benefit Tax	(69)	0
Profit after Tax	3741	2165
Add : Profit Brought Forward	617	(653)
Profit available for appropriations	4358	1512

### Appropriations

Proposed Dividend	1292	596
Tax on Dividend	210	99
Transfer to General Reserve	400	200
Balance Carried Forward	2456	617
	4358	1512

### Dividend

Your Directors have recommended a Dividend of 65% on Equity Share Capital of the Company for the Financial Year 2010-2011 as against the Dividend paid at the rate of 30% on Equity Share Capital for the previous Financial Year.

### Subsidiary Companies

The Company has the following Subsidiaries:

#### a) JTEKT SONA Automotive India Limited (JSAL)

In JSAL, the Company is holding 49% of the Equity Capital but it has the right to nominate majority of Directors on the Board of JSAL. This Joint Venture Company has been established with JTEKT Corporation, Japan with a business objective of manufacturing Column Type Electric Power Steering (C-EPS) Systems. The Plant of JSAL is located in Bawal, Haryana. During the year ended 31<sup>st</sup> March, 2011, JSAL has achieved total income of Rs. 250.41 crores and earned net profit of Rs. 9.54 crores.

#### b) Sona Fuji Kiko Automotive Limited (SFAL)

In SFAL, the Company is holding 51% of the Equity Capital. This Joint Venture Company has been established with FUJI KIKO Co. Ltd., Japan with a business objective of manufacturing Columns to be used in the manufacturing of C-EPS by JSAL. The Plant of SFAL is located in Bawal, Haryana. During the year ended 31<sup>st</sup> March, 2011, SFAL has achieved total income of Rs. 33.68 crores and earned net profit of Rs. 76.31 lacs.

#### c) Sona Stampings Limited (SSL) (Erstwhile known as "Arjan Stampings Limited")

This Joint Venture Company has been established with Arjan Auto Private Limited, India, with a business objective of Sheet Metal Processing, comprising of press work and welding within Automotive Component sector. SSL has got its works located at Farukhnagar, Gurgaon. In SSL, the Company is holding 51.5% of the Equity Capital. During the year ended 31<sup>st</sup> March, 2011, the Company has achieved total income of Rs. 11.35 crores and incurred loss of Rs. 1.61 crores.

### Subsidiary Companies Accounts

In terms of general exemption granted by the Ministry of Corporate Affairs vide General Circular Number 2/2011 dated 8<sup>th</sup> February, 2011, copy of the Balance Sheets, Profit & Loss Accounts, reports of the Board of Directors and Auditors of the Subsidiary Companies have not been attached with the Balance Sheet of the Company. These documents will be made available upon request by any member of the Company interested in obtaining the same. However, as directed by the Central Government, the financial data of the subsidiaries have been furnished under 'Summarised Statement of Financials of Subsidiary Companies' forming part of the Annual Report. Further, pursuant to Accounting Standard AS-21 issued by the Institute of Chartered Accountants of India, Consolidated Financial Statements presented by the Company includes financial information of its subsidiaries. The Annual Accounts of the subsidiary companies will also be kept open for inspection at the Registered Office of the Company and that of the respective subsidiary companies.

### Consolidation of Accounts

In accordance with the Accounting Standard AS-21 on Consolidated Financial Statements read with Accounting Standard AS-27 on Financial Reporting for Interest in Joint Ventures, the Audited Consolidated Financial Statements are provided in the Annual Report.

### Corporate Governance

The Company has been pro-active in following the principles and practices of good Corporate Governance. The Company has taken adequate steps to ensure that the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges are complied in its letter and spirit.

A separate statement on Corporate Governance is produced as a part of the Annual Report along with the Auditors' Certificate on its compliance.

### Listing

The Securities of your Company are listed at National Stock Exchange and Bombay Stock Exchange and the Company has paid the Listing Fee due to them.

### Fixed Deposits

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

### Directors

During the year under review, the Board of Directors of the Company in its meeting held on 27<sup>th</sup> July, 2010 have appointed Dr. Rakesh Mohan as an Additional Director of the Company. The requisite resolution pertaining to the appointment of Dr. Rakesh Mohan as detailed at Item No. 7 of the Notice and relevant Explanatory Statement is commended to the Members' approval.



JTEKT Corporation, Japan (JTEKT) has withdrawn the nomination of Mr. Waichiro Ijiri and nominated Mr. Hiroyuki Miyazaki in his place. The Board of Directors of the Company, in their meeting held on 29<sup>th</sup> October, 2010, have appointed Mr. Hiroyuki Miyazaki in the casual vacancy caused due to withdrawal of nomination of Mr. Waichiro Ijiri by JTEKT. Your Directors take this opportunity to place on record the appreciation of services rendered by Mr. Waichiro Ijiri during his association with the Company.

Keeping in view the contributions made by Mr. Sunjay Kapur during his tenure as Managing Director of the Company as well as the recommendation of the Remuneration Committee of Directors, the Board of Directors in their meeting held on 28<sup>th</sup> April, 2011 have approved the re-appointment of Mr. Sunjay Kapur as Managing Director of the Company for a further period of three (3) years, with remuneration, with effect from 22<sup>nd</sup> October, 2011.

The resolution pertaining to the re-appointment of Mr. Sunjay Kapur as Managing Director is detailed at Item No. 9 of the Notice with relevant Explanatory Statement. The resolution is commended for the Members' approval.

Pursuant to Article 122 of the Articles of Association of the Company Mr. B.L. Passi, Mr. J.M. Kapur and Mr. Ravi Bhoothalingam will retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

#### **Audit Committee**

Pursuant to the provisions of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreements with Stock Exchanges, the Audit Committee of Directors of the Company consists of the following members:

- i) Mr. Ravi Bhoothalingam, Chairman
- ii) Mr. P.K. Chadha, Member
- iii) Mr. Sunjay Kapur, Member
- iv) Lt. Gen. (Retd.) Shamsher Singh Mehta, Member

#### **Directors' Responsibility Statement**

As required under Section 217(2AA) of the Companies Act, 1956, your Directors confirm having:

- i) followed in the preparation of the Annual Accounts, the applicable accounting standards with proper explanation relating to material departures;
- ii) selected such accounting policies and applied them consistently and made judgement and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of your Company at the end of the financial year and of the profit/loss of your Company for that period;

- iii) taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities; and

- iv) prepared the Annual Accounts on a going concern basis.

#### **Auditors**

M/s. S.P. Puri & Co., Chartered Accountants, hold office as Auditors until the conclusion of the forthcoming Annual General Meeting and have indicated their willingness to be re-appointed as Auditors. The requisite certificate under Section 224(1B) of the Companies Act, 1956, has been received from them. The notes to accounts referred to in the Auditors' Report are self-explanatory.

#### **Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo.**

A statement containing the necessary information as required under the Companies (Disclosure of particulars in the Report of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended March 31, 2011 is given as **Annexure - 'A'** to this report.

#### **Employees**

In accordance with the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, the particulars of employees are given in **Annexure - 'B'** forming part of this report.

#### **Acknowledgements**

Your Directors acknowledge with gratitude the co-operation and support extended by SONA's customers namely Maruti Suzuki India Limited, Hyundai Motors (India) Ltd., Toyota Kirloskar, Tata Motors Ltd., Mahindra & Mahindra, Hindustan Motors Ltd., JTEKT Corporation, Japan, Mando Corporation, Korea and Fuji Autotech Europe S.A.S, the Financial Institutions, Banks, various agencies of the Government, SONA's collaborators – JTEKT Corporation, Japan, Mando Corporation, Korea and Fuji Autotech AB, Sweden.

Your Directors also wish to place on record their sincere appreciation of the services rendered by all employees of the Company and are thankful to the Shareholders for their continued patronage.

For and on behalf of the Board

Place : New Delhi  
Dated : 28<sup>th</sup> April, 2011

Dr. Surinder Kapur  
Chairman

## ANNEXURE - 'A' TO THE DIRECTORS' REPORT

### Form - A : Particulars with respect to Conservation of Energy

Power and Fuel Consumption			2010-2011				2009-2010		
			Gurgaon*	Dharuhera#	Chennai	Sanand	Gurgaon*	Dharuhera#	Chennai
1	HSEB / TNEB/UGBCL Power purchased (KWH)	(Units)	4053456	1182240	2108148	38872	3215646	491289	1876273
	Total Amount	Rs.	21019359	6686488	11462654	302640	15044363	2302114	9851251
	Rate per unit	Rs.	5.19	5.66	5.44	7.79	4.68	4.69	5.25
2	Captive Generation DG Set (KWH)	(Units)	1674978	1870506	1959097	-	6377932	1674050	1195718
	Total Amount	Rs.	16442200	21248472	24561934	-	56138411	17957207	11806739
	Rate per unit	Rs.	9.82	11.36	12.54	-	8.80	10.73	9.87
3	Diesel Consumption	(Litres)	502694	541598	614867	-	648747	510043	227600
	Total Amount	Rs.	16442200	17411883	23841663	-	18852588	14626744	7673579
	Rate per litre	Rs.	34.43	32.15	38.78	-	29.06	28.68	33.72
	Litre per unit		0.3	0.29	3.19	-	0.29	0.30	5.25
4	Furnace Oil Consumption	(Litres)	1338113	-	-	-	1134456	-	-
	Total Amount	Rs.	35421411	-	-	-	27816861	-	-
	Rate per litre	Rs.	33.00	-	-	-	24.52	-	-
	Litre per unit		0.27	-	-	-	0.25	-	-

\* Total saving achieved at Gurgaon Plant during Financial Year 2010-11 – Rs. 17.4 lacs.

Above saving achieved by taking the following initiatives :

- 1) Enhance the HSEB load from 1200 KVA to 2500 KVA by installation of transformer and saved Rs. 10.93 lacs.
- 2) Increased the DG fuel efficiency from 3.4 to 3.8 by installation of vibrator unit.
- 3) Introduced water flow controller for Canteen overhead water tanks and resulted into saving of Rs. 0.8 lacs.
- 4) Installed energy efficient pump on cooling tower and machines and saved Rs. 4.8 lacs.
- 5) Separating oil & water from FO and saved Rs. 0.87 lacs.

# Total saving achieved at Dharuhera Plant during Financial Year 2010-11 – Rs. 48.8 lacs.

Above saving achieved by taking the following initiatives :

- 1) Shifted utilities load from DG set to HSEB / State supply and increased HSEB power share.
- 2) Cooling tower fan replacement with FRP and saved Rs. 0.35 lacs.
- 3) Stopped Hydraulic Power Pack of Machines during idle time (lunch/dinner/tea).
- 4) Air gauges air wastages stopped by doing automation and saved Rs. 1.46 lacs.

### Form - B : Particulars with respect to Technology Absorption

#### A. Technology Absorption

- |  |   |
|--|---|
| 1. Efforts in brief towards Technology Adoption and Innovation.  | <ul style="list-style-type: none"> <li>a) Design and development of Rack &amp; Pinion Hydraulic Power Steering System of light commercial vehicle for domestic and export variants.</li> <li>b) Design and development of high performance R&amp;P Steering Gear for CEPS System of a high volume global project.</li> <li>c) Developed design solution for "Rake &amp; Reach type" Collapsible Steering Column for automobiles.</li> <li>d) Localization of specific high value, critical components of Electric Power Steering (EPS) system.</li> </ul> |
| 2. Benefits derived as a result of above efforts e.g. Product Improvement, Cost Reduction, Product Development, Import Substitution etc. | <ul style="list-style-type: none"> <li>a) Development of R&amp;P Hydraulic Power Steering for commercial vehicle would help Company in getting more business opportunities in this fast growing segment.</li> <li>b) Development of high performance Steering Gear for CEPS system has helped Company in achieving self-reliance and also saved significant development cost.</li> </ul>  |



## B. Research and Development

1. Specific areas in which R&D carried out by the Company.

2. Benefits derived as a result of the above R&D.

3. Expenditure on R&D

c) By developing design solution for "Rake & Reach type" Collapsible Column, Company aims to develop a new product with additional feature. This will enable Company developing the competency to offer more value added products for customers' future needs.

d) Localisation of specific high value, critical components of EPS system has helped Company in reducing the material cost as well as lowering the risk from high fluctuations in foreign exchange.

a) Research and Development of Electric Power Assist Module for Farm Tractors.

b) Research and Development of Electric Assisted Power Steering System for small commercial vehicles.

c) Development of Electric Power Steering for off-road vehicles.

a) The above R&D initiatives would enable Company to explore new business opportunities in the field of Farm equipments and commercial vehicles for future growth through technological innovations by developing new concepts and futuristic electro-mechanical products with indigenous technology, designs and patents.

b) Company has been awarded by an international patent (US 7789191) Titled "Electric Power Assist Module for Steering System".

c) Company has developed advanced product technologies having collaborative research work with academic/industrial institutes as well as with potential customers.

a) Capital Expenditure of Rs. Nil.

b) Revenue Expenditure of Rs. 235.09 lacs.

## Form - C : Foreign Exchange Earning and Outgo

Foreign Exchange outflow on account of import of raw material, spares and tools during the year was Rs. 16211.59 lacs. During the year the Company's export sales amounted to Rs. 4630.22 lacs.

## ANNEXURE – 'B' TO THE DIRECTORS' REPORT

Statement of particulars of employees pursuant to the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 for the financial year ended 31st March, 2011

Sl. No.	Name	Age (Years)	Designation/ Nature of Duties	Remuneration (Rs.)	Qualification(s)	Experience (Years)	Date of Employment	Last Employment (Designation)
1.	Mr. Chopra Sudhir	53	President (Legal) & Company Secretary	77,38,549/-	B.Com, FCS, LL.B.	33	15.05.1993	Samtel India Limited (Company Secretary)
2.	Mr. Deshmukh K.M.	57	Dy. Managing Director	1,12,17,800/-	B.Tech (Metallurgy)	34	01.08.1986	Bharat Gears Ltd. (Dy. Manager-Development)
3.	Mr. Kapur Sunjay	37	Vice Chairman & Managing Director	3,00,66,194/-	Graduate in Business Admn. from Buckingham University (UK)	15	22.10.2008	Sona Management Services Ltd. (Managing Director)
4.	Dr. Kapur Surinder	67	Chairman	1,27,13,973/-	Ph.D.(Mech.Engg) Michigan State University, (U.S.A.)	37	01.10.1990	Bharat Gears Ltd. (Vice Chairman & Managing Director)
5.	Mr. Rajan Govindrajan Sunder	48	Chief Executive Officer	77,57,350/-	B.Sc., MBA & Master of Information Managment	26	01.12.2008	Sona Autocomp Holding Private Limited (V.P. – Strategy & Innovations)

### NOTES :

- Remuneration received includes Salary, Allowances, Commission, payment in respect of Rent / Furnished Accommodation, Company's contribution to Provident Fund and Superannuation Fund, Medical reimbursement and LTA.
- Employment of Dr. Surinder Kapur, Mr. Sunjay Kapur and Mr. K.M. Deshmukh is contractual.



## AUDITORS' REPORT

TO THE MEMBERS OF  
SONA KOYO STEERING SYSTEMS LIMITED

We have audited the attached Balance Sheet of **SONA KOYO STEERING SYSTEMS LIMITED** ('the Company') as at 31<sup>st</sup> March 2011, the Profit & Loss Account and the Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together 'the Order') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in Paragraphs 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to in paragraph 1 above, we report that:
  - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

- iii. The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- iv. In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
- v. Based on confirmations received from other public Companies in which directors of the Company are directors and/or written representations made by the directors of the Company as on 31<sup>st</sup> March, 2011 and taken on record by the Board of Directors, we report that none of the directors of the Company is disqualified as on 31<sup>st</sup> March, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
- vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :-
  - a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2011;
  - b) in the case of the Profit & Loss Account, of the PROFIT for the year ended on that date; and
  - c) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For S.P. Puri & Co.,  
Chartered Accountants  
FRN 001152 N

Place : New Delhi  
Dated : 28<sup>th</sup> April, 2011

(Rajiv Puri - Partner)  
Membership No. 84318

**The Annexure referred to in paragraph 1 of the Auditors' Report of even date to the members of Sona Koyo Steering Systems Limited for the year ended 31<sup>st</sup> March, 2011.**

On the basis of such checks as we considered appropriate, we further report that :

- i. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) All the fixed assets of the Company have not been physically verified by the management during the year but there is a regular phased programme of physical verification which, in our opinion, is reasonable having regard to the size of the Company and nature of its fixed assets. No material discrepancies were noticed on such verification.
- (c) In our opinion, and according to the information and explanations given to us, fixed assets disposals during the year were not substantial and therefore do not affect the going concern assumption.
- ii. (a) Physical verification of inventory, except stocks lying with vendors and stock-in-transit has been conducted by the management during the year. In respect of inventory lying with vendors at the year-end, these have been confirmed by them. In our opinion, the frequency of such verification is reasonable.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management were found reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) On the basis of examination of records of the inventory, we are of the opinion that the Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and book records, which in our opinion were not material, have been properly dealt with in the books of account.
- iii. According to the information and explanations given to us and on the basis of our examination of the books of account, the Company has neither granted or taken any loans, secured or unsecured, to or from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, the paragraphs 4 iii(b), 4 iii(c), 4 iii(d), 4 iii(f) and 4 iii(g) of the Order are not applicable to the Company.
- iv. In our opinion and according to the information and explanations given to us, and having regard to the explanation that some of the inventory items purchased are for the Company's specialized requirements and similarly goods sold are for the specialized requirements of the buyers and suitable alternative sources are not available to obtain comparable quotations, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for sale of goods and services. During the course of our audit, no major weaknesses have been noticed in the internal controls.

- v. Based on the audit procedures applied by us and according to the information and explanations given to us, the Company has not entered into any transactions during the year that needs to be entered into the Register maintained under section 301 of the Companies Act, 1956.
- vi. The Company has not accepted any deposits from the public covered under section 58A, 58AA or any other relevant provisions of the Companies Act, 1956.
- vii. The Company has an adequate internal audit system, which in our opinion, is commensurate with the size of the Company and the nature of its business.
- viii. We have broadly reviewed the books of account maintained by the Company in respect of manufacture of Company's automotive products pursuant to the order made by the Central Government for the maintenance of cost records under section 209(l)(d) of the Companies Act, 1956 and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
- ix. (a) According to the information and explanations given to us and on the basis of our examination of the books of account, the Company has been generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty and Cess were outstanding, as at 31<sup>st</sup> March, 2011 for a period of more than six months from the date they became payable.

- (b) According to the information and explanations given to us, and on the basis of our examination of the books of account, there are no dues of Sales Tax, Customs Duty, Wealth Tax and Cess which have not been deposited on account of any dispute. According to the information and explanations given to us, the following dues of Income Tax, Service Tax and Excise Duty have not been deposited by the Company on account of disputes:

Name of the Statute	Nature of dues	Amount (Rs. / Lacs)*	Period to which amount relates	Forum where dispute is pending
Income Tax Act, 1961	Various Disallowances	5.32	2007-2008	Commissioner of Income Tax (Appeals)
Central Excise Act, 1994	Wrong availment of Cenvat Credit & Penalty	6.94	2007-2008 & 2009-2010	Commissioner of Appeals (Central Excise & Service Tax)
Service Tax	Wrong availment of Cenvat Credit & Penalty	86.1	2007-2008 & 2008-2009	Commissioner of Appeals (Central Excise & Service Tax)

\* includes penalty wherever indicated in the orders



- x. The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the current financial year and in the immediately preceding financial year.
- xi. Based on our audit procedures and on the information and explanations given to us, the Company has not defaulted in repayment of dues to its bankers or to any financial institutions. The Company did not have any outstanding debentures during the year.
- xii. According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. The Company is not a chit fund or a nidhi/ mutual benefit fund/society. Therefore, the provision of this clause of the Companies (Auditor's Report) Order, 2003 is not applicable to the Company.
- xiv. According to information and explanations given to us, the Company is not dealing or trading in Shares, Securities, Debentures and other investments.
- xv. According to the information and explanations given to us, the Company has not given any guarantee for any loan taken by others from a bank or financial institution.
- xvi. Based on our audit procedures and on the information and explanations given by the management, the term loans have been applied for the purpose for which they were raised.
- xvii. Based on the information and explanations given to us and on an overall examination of the Balance Sheet of the Company as at 31<sup>st</sup> March, 2011, we are of the opinion that no funds raised on short term basis have been used for long term investment by the Company.
- xviii. The Company has not made any preferential allotment of shares during the year.
- xix. The Company has no outstanding debentures during the year.
- xx. The Company has not raised any money by public issue during the year.
- xxi. Based on the audit procedures performed and the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the year.

For S.P. Puri & Co.,  
Chartered Accountants  
FRN 001152 N

Place : New Delhi  
Dated : 28<sup>th</sup> April, 2011

(Rajiv Puri - Partner)  
Membership No. 84318



## BALANCE SHEET

### AS AT 31ST MARCH, 2011

Particulars	Schedule	As at 31st March, 2011 Rs./Lacs	As at 31st March, 2010 Rs./Lacs
<b>I. SOURCES OF FUNDS</b>			
<b>1. Shareholders' Fund</b>			
a) Share Capital	1	1987.42	1987.42
b) Reserves & Surplus	2	18389.46	16149.72
<b>Sub-Total</b>		<b>20376.88</b>	<b>18137.14</b>
<b>2. Loan Funds</b>			
a) Secured Loans	3	21171.81	21912.12
<b>Sub-Total</b>		<b>21171.81</b>	<b>21912.12</b>
<b>3. Deferred Tax Liability (Net)</b> (Refer Note 15 of Schedule 18)		2989.25	2279.25
<b>Total</b>		<b>44537.94</b>	<b>42328.51</b>
<b>II. APPLICATION OF FUNDS</b>			
<b>1. Fixed Assets</b>			
a) Gross Block	4	49254.08	45773.70
Less : Depreciation		18369.11	15794.32
Net Block		30884.97	29979.38
b) Capital Work In Progress		2404.25	1962.45
		33289.22	31941.83
<b>2. Investments</b>	5	6539.91	7133.57
<b>3. Advances for Investment (Pending Allotment)</b>	5A	248.29	0.00
<b>Sub-Total</b>		<b>40077.42</b>	<b>39075.40</b>
<b>4. Current Assets, Loans and Advances</b>			
a) Inventories	6	4724.93	3902.07
b) Sundry Debtors	7	11537.16	9131.23
c) Cash & Bank Balances	8	145.29	78.61
d) Other Current Assets	9	79.89	53.75
e) Loans & Advances	10	6591.70	4782.02
<b>Sub-Total</b>		<b>23078.97</b>	<b>17947.68</b>
<b>Less : Current Liabilities and Provisions</b>	11		
a) Current Liabilities		16633.91	13661.92
b) Provisions		1984.54	1032.65
<b>Sub-Total</b>		<b>18618.45</b>	<b>14694.57</b>
<b>Net Current Assets</b>		<b>4460.52</b>	<b>3253.11</b>
<b>Total</b>		<b>44537.94</b>	<b>42328.51</b>
Notes to the Accounts & Significant Accounting Policies	18		

The Schedules referred to above form an integral part of the Financial Statements.

As per our report of even date attached  
For S.P. Puri & Co.,  
Chartered Accountants  
FRN 001152 N

(Rajiv Puri - Partner)  
Membership No. 84318

Place : New Delhi  
Dated : 28th April, 2011

Sudhir Chopra - Company Secretary  
Rajiv Chanana - Chief Financial Officer

For and on behalf of the Board

Sunjay Kapur-Vice Chairman & Managing Director  
Prem Kumar Chadha - Director

## PROFIT & LOSS ACCOUNT

### FOR THE YEAR ENDED 31ST MARCH, 2011

Particulars	Schedule	Year ended 31st March, 2011 Rs./Lacs	Year ended 31st March, 2010 Rs./Lacs
<b>INCOME</b>			
Gross Sales		115211.21	92896.71
Less : Excise Duty		12041.45	7866.81
Net Sales		103169.76	85029.90
Other Income	12	989.62	549.55
		<b>104159.38</b>	<b>85579.45</b>
<b>EXPENDITURE</b>			
Raw Materials and Components Cost	13	75792.60	63865.40
Manufacturing Expenses	14	5170.00	3702.21
Employees' Remuneration and Benefits	15	7618.89	5556.13
Administrative, Selling & Other Expenses	16	4073.69	2985.02
Research & Development Expenses	18(6)	235.09	154.76
Finance Charges	17	3274.68	3361.24
		<b>96164.95</b>	<b>79624.76</b>
Cash Profit		7994.43	5954.69
Depreciation & Amortisation		2844.78	2658.03
Profit before Tax		5149.65	3296.66
Provision for Tax - Current Year		1030.00	591.89
Excess Provision for Tax of Earlier Years Written Back		(69.76)	0.00
Minimum Alternate Tax (MAT) Credit Entitlement		(261.72)	(566.90)
Increase/(Decrease) in Deferred Tax Liability		710.00	1107.14
Profit after Tax		3741.13	2164.53
Balance brought forward from Previous Year		616.74	(652.53)
Profit Available for Appropriation		4357.87	1512.00
Proposed Dividend		1291.82	596.23
Tax on Dividend		209.57	99.03
Transfer to General Reserve		400.00	200.00
Balance carried to Balance Sheet		<b>2456.48</b>	<b>616.74</b>

#### EARNING PER SHARE (Face Value of Re. 1/- each)

Basic and Diluted Earning Per Share (In Rs.) (Refer Note 16 of Schedule 18)	1.88	1.09
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Notes to the Accounts & Significant Accounting Policies **18**

The Schedules referred to above form an integral part of the Financial Statements

As per our report of even date attached  
For S.P. Puri & Co.,  
Chartered Accountants  
FRN 001152 N

(Rajiv Puri - Partner)  
Membership No. 84318

Place : New Delhi  
Dated : 28th April, 2011

Sudhir Chopra - Company Secretary  
Rajiv Chanana - Chief Financial Officer

For and on behalf of the Board

Sunjay Kapur-Vice Chairman & Managing Director  
Prem Kumar Chadha - Director

## SCHEDULES FORMING PART OF ACCOUNTS

31st March, 2011  
Rs./Lacs

31st March, 2010  
Rs./Lacs

### SCHEDULE — 1

#### SHARE CAPITAL

##### AUTHORISED

25,00,00,000 Equity Shares of Re. 1/- each

(Previous Year 25,00,00,000 Equity Shares of Re. 1/- each)

2500.00

2500.00

2500.00

2500.00

##### ISSUED, SUBSCRIBED AND PAID UP

19,87,41,832 Equity Shares of Re. 1/- each, fully paid up

(Previous Year 19,87,41,832 Equity Shares of Re. 1/- each, fully paid up)

Out of above :

Equity Shares Include 8,79,34,000 Equity Shares (Previous Year 8,79,34,000)

of Re. 1/- each allotted as fully paid Bonus Shares by Capitalisation of Capital Redemption Reserve.

1987.42

1987.42

1987.42

1987.42

### SCHEDULE — 2

#### RESERVES & SURPLUS

Capital Reserve

0.44

0.44

(On account of reissue of forfeited Equity Shares)

Capital Redemption Reserve

120.66

120.66

Securities Premium Account

8921.17

8921.17

General Reserve

- As per Last Balance Sheet

6490.71

- Add : Transferred from Profit & Loss Account

400.00

6890.71

6490.71

Profit & Loss Account

- Balance as per Profit & Loss Account

2456.48

616.74

18389.46

16149.72

### SCHEDULE — 3

#### SECURED LOANS

Term Loans from Banks

19866.54

20504.35

Term Loans from Others

874.95

972.17

Short Term Loans from Banks

430.32

435.60

21171.81

21912.12



## NOTES :

### 1. Term Loans from Banks include:

- Rupee Term Loans of Rs. 16414.35 Lacs (Previous Year Rs. 18254 Lacs) are secured by first pari passu charge over the entire movable and immovable fixed assets of the Company, both present and future, except the assets exclusively charged to Standard Chartered Bank for Rs. 388.89 Lacs (Previous Year Rs. 500 Lacs). Loans to the extent of Rs. 1995 Lacs (Previous Year Rs. 2100 Lacs) are further secured by way of second charge on current assets, on pari passu basis.
- Corporate Loan of Rs. 3000 Lacs (Previous Year Rs. 2250 Lacs) from State Bank of India is secured by way of first pari passu charge on current assets and second pari passu charge on movable and immovable fixed assets of the Company. The Loan is further secured by way of exclusive mortgage on Land situated at Plot No. 19, Dharuhera Industrial Area, Phase II, District Rewari (Haryana).
- Term Loan of Rs. 63.30 Lacs (Previous Year Nil) from Allahabad Bank is secured by way of exclusive charge on the vehicles financed out of the said Term Loan.

### 2. Term Loans from Other include :

Term Loan of Rs. 874.95 Lacs (Previous Year Rs. 972 Lacs) is secured by way of second charge on entire assets of the Company situated at Sanand, Gujrat to be purchased or constructed out of said Term Loan.

### 3. The Short Term Loans from Banks are secured by hypothecation of inventories, book debts and other receivables both present & future & second pari passu charge on movable and immovable fixed assets of the Company.

Term Loans from Bank and other loans aggregating to Rs. 4402.63 Lacs (Previous Year Rs. 2250 Lacs) are repayable within one year.

## SCHEDULE — 4

### FIXED ASSETS

(Rs./Lacs)										
Sl. No.	Particulars	Gross Block (At Cost)			Depreciation			Net Block		
		As at 01.04.10	Additions	Sales/ Disposal	As at 31.03.11	Upto 31.03.10	For the Year Written Back	As at 31.03.11	As at 31.03.11	As at 31.03.10
<u>Tangible Assets</u>										
1.	Freehold Land	1949.04	0.00	0.00	1949.04	0.00	0.00	0.00	1949.04	1949.04
2.	Lease Hold Land	221.50	0.00	0.00	221.50*	0.21	2.55	0.00	218.74	221.29
3.	Building	5578.84	303.92	0.00	5882.76**	901.59	188.83	0.00	4792.34	4677.25
4.	Lease Hold Improvements	19.51	0.00	0.00	19.51	0.34	3.90	0.00	15.27	19.17
5.	Plant & Machinery	31192.08	2643.56	323.30	33512.34	12002.08	2019.67	175.09	19665.68	19190.00
6.	Jigs & Fixture	361.14	52.25	0.00	413.39	127.24	26.15	0.00	260.00	233.90
7.	Electric Installation	1662.26	193.27	0.00	1855.53	474.82	116.26	0.00	1264.45	1187.44
8.	Furniture & Fixture	712.20	18.91	38.49	692.62	335.63	38.11	34.94	353.82	376.57
9.	Office Equipment	2053.65	119.22	56.87	2116.00	1331.95	139.53	39.35	683.87	721.70
10.	Vehicles	246.84	153.07	45.27	354.64	96.87	32.92	20.61	245.46	149.97
11.	R&D-Plant & Machinery	439.56	0.00	0.00	439.56	79.53	24.02	0.00	336.01	360.03
12.	R&D-Office Equipments	88.34	0.00	0.00	88.34	69.54	13.21	0.00	5.59	18.80
<u>Intangible Assets</u>										
1.	R&D-Computer Softwares	55.73	0.00	0.00	55.73	28.31	7.62	0.00	19.80	27.42
2.	Computer Software	30.39	12.06	0.00	42.45	12.46	5.90	0.00	24.09	17.93
3.	New Product Development Cost	1162.62	448.05	0.00	1610.67	333.75	226.11	0.00	1050.81	828.87
<b>Total</b>		45773.70	3944.31	463.93	49254.08	15794.32	2844.78	269.99	30884.97	29979.38
		44238.67	1990.28	455.25	45773.70	13525.14	2658.03	388.85	29979.38	
Capital Work In Progress - Tangible Assets									1480.58	1144.76
Capital Work In Progress - Intangible Assets									923.67	817.69
									2404.25	1962.45

\* Leasehold Land Includes Rs. 221.50 Lacs (Previous Year Rs. 221.50 Lacs) in respect of which lease deed is pending for execution.

\*\* Includes part of the factory building at Chennai given on operating lease whose cost, depreciation for the year and WDV at the end of the year is not segregated (Previous Year NIL).

31st March, 2011  
Rs./Lacs

31st March, 2010  
Rs./Lacs

## SCHEDULE — 5

### INVESTMENTS

#### LONG TERM (Valued At Cost)

UNQUOTED, FULLY PAID UP :

In Trade Investments :

i) 1,33,334 Equity Shares (Previous Year 1,33,334) of Rs. 10/- each in Roop Automotive Ltd.	20.00	20.00
ii) 49,29,636 Equity Shares (Previous Year 49,29,636) of Euro 1 each, in Fuji Autotech Europe S.A.S. (Incorporated in France)	2932.10	2932.10
iii) Nil Equity Shares (Previous Year 24,000) of USD 1 each, in Sona Autocomp Inc., (Incorporated in USA) (sold during the year)	0.00	10.79
iv) Nil Equity Shares (Previous Year 12,000) of Euro 1 each, in Sona Autocomp Europe S.A.R.L. (Incorporated in France) (sold during the year)	0.00	6.87
v) Nil Equity Shares (Previous Year 27,60,000) of Rs. 10/- each, in AAM Sona Axle Pvt. Ltd. (sold during the year)	0.00	276.00
vi) Nil Equity Shares (Previous Year 30,00,000) of Rs. 10/- each, in Sona Mobility Services Ltd. (sold during the year)	0.00	300.00

In Subsidiary Companies (Unquoted, Fully Paid Up) :

vii) 50,99,993 Equity Shares (Previous Year 50,99,993) of Rs 10/- each, in Sona Fuji Kiko Automotive Ltd.	510.00	510.00
viii) 2,77,78,094 Equity Shares (Previous Year 2,77,78,094) of Rs. 10/- each, in JTEKT SONA Automotive India Ltd.	2777.81	2777.81
ix) 37,142 Equity Shares (Previous Year 37,142) of Rs. 100/- each, in Sona Stampings Ltd. (formerly known as 'Arjan Stampings Ltd.')	300.00	300.00
	<b>6539.91</b>	<b>7133.57</b>

## SCHEDULE — 5A

### ADVANCES FOR INVESTMENT (PENDING ALLOTMENT)

Sona Stampings Ltd. (Subsidiary Company)	248.29	0.00
	<b>248.29</b>	<b>0.00</b>

## SCHEDULE — 6

### INVENTORIES

(At cost or net realisable value, whichever is lower)

Stores and Spare Parts	437.71	403.86
Raw Materials and Components*	2646.71	2392.80
Work-in-process	798.79	455.10
Finished Goods**	305.34	255.70
Tools	536.38	394.61
	<b>4724.93</b>	<b>3902.07</b>

\* Includes material in transit Rs. 41.94 Lacs (Previous Year Rs. 26.61 Lacs)

\*\* Includes goods in transit Rs. 49.31 Lacs (Previous Year Rs. 46.59 Lacs)

## SCHEDULE — 7

### SUNDRY DEBTORS

(Unsecured, considered good)

Debts outstanding for a period exceeding six months	90.98	104.32
Other Debts*	11446.18	9026.91
	<b>11537.16</b>	<b>9131.23</b>

\* Sundry Debtors include the following balances which are due from Companies under the same management as defined under section 370(IB) of the Companies Act, 1956

- JTEKT SONA Automotive India Ltd. Rs. 643.24 Lacs (Previous Year Rs. 32.30 Lacs)

- Sona Somic Lemforder Components Ltd. Rs. 63.79 Lacs (Previous Year Rs. 0.01 Lacs)



31st March, 2011  
Rs./Lacs

31st March, 2010  
Rs./Lacs

## SCHEDULE — 8

### CASH AND BANK BALANCES

Cash and Cheques in hand	10.47	10.23
Balances with Scheduled Banks in Current Accounts	134.82	68.38
	<u>145.29</u>	<u>78.61</u>

## SCHEDULE — 9

### OTHER CURRENT ASSETS

(Unsecured, considered good)

Claims Receivable	79.89	53.75
	<u>79.89</u>	<u>53.75</u>

## SCHEDULE — 10

### LOANS AND ADVANCES

(Unsecured, considered good unless otherwise stated)

Loans and Advances to Subsidiary	100.00	0.00
Advances recoverable in cash or in kind or for value to be received		
- Considered good	3048.04	1404.77
- Considered doubtful	0.00	19.61
	<u>3148.04</u>	<u>1424.38</u>
Less : Provision for Doubtful Advances	0.00	19.61
	<u>3148.04</u>	<u>1404.77</u>
Security Deposits	341.33	328.86
Balance with Excise and Port Trust Authorities	2282.89	2319.85
Minimum Alternate Tax (MAT) Credit Entitlement	814.30	566.90
Advance payment against Income Tax (Net of Provisions for Income Tax Rs.2392.42 Lacs)	5.14	161.64
(Previous Year Rs. 6244.49 Lacs)		
	<u>6591.70</u>	<u>4782.02</u>

## SCHEDULE — 11

### CURRENT LIABILITIES AND PROVISIONS

#### A. CURRENT LIABILITIES

Sundry Creditors		
- Due to Micro & Small Enterprises	36.29	32.69
(Refer Note 8 Schedule 18)		
- Due to Others	14443.30	12640.47
- Due to Subsidiaries	602.95	181.80
Unclaimed Dividends*	38.99	34.20
Other Liabilities	1490.59	761.23
Interest Accrued but not due on Loans	21.79	11.53
	<u>16633.91</u>	<u>13661.92</u>

\* There is no amount due and outstanding to be credited to  
Investor Education & Protection Fund

#### B. PROVISIONS

Proposed Dividend	1291.82	596.23
Corporate Dividend Tax	209.57	99.03
Leave Encashment	363.15	242.39
Warranty	120.00	95.00
	<u>1984.54</u>	<u>1032.65</u>



31st March, 2011  
Rs./Lacs

31st March, 2010  
Rs./Lacs

## SCHEDULE — 12

### OTHER INCOME

Lease Rental Income	34.25	11.48
Income from Sale of Scrap	289.92	252.76
Dividend from Long Term Trade Investments	7.00	7.00
Interest Income	26.11	67.39
(TDS Deducted Rs. 0.55 Lacs - Previous Year Rs. 2.82 Lacs)		
Miscellaneous Income	300.16	109.42
Exchange gain on Foreign Currency Loan	0.00	101.50
Profit on Sale of Long Term Investments (Net)	332.18	0.00
	<b>989.62</b>	<b>549.55</b>

## SCHEDULE — 13

### RAW MATERIAL AND COMPONENTS COST

#### TRADING

Opening Stock	3.83	
Add: Purchases of Finished Goods	946.07	
Less: Closing Stock	<b>9.55</b>	940.35
		521.40

#### MANUFACTURING

Raw Material and Components Consumed	75244.88	63535.34
--------------------------------------	----------	----------

#### (INCREASE)/DECREASE IN STOCK OF FINISHED GOODS AND WORK IN PROCESS

##### INVENTORY as at 31.03.2010

Finished Goods	255.70	
Work-in-process	<b>455.10</b>	710.80
		503.72

##### INVENTORY as at 31.03.2011

Finished Goods	305.34	
Work-in-process	<b>798.79</b>	1104.13
		710.80

**(393.33)** (207.08)

Excise Duty on (Increase) / Decrease in Finished Goods  
(Refer Note No. 21 of Schedule 18)

0.70 15.74

**75792.60** **63865.40**

## SCHEDULE — 14

### MANUFACTURING EXPENSES

Stores and spare parts consumed	1265.57	936.47
Loose tools consumed	723.93	541.28
Power and fuel	1497.25	1172.15
Freight & Octroi charges	732.31	369.88
Machine repairs and maintenance	504.82	313.55
Royalty	446.12	368.88
	<b>5170.00</b>	<b>3702.21</b>

31st March, 2011  
Rs./Lacs

31st March, 2010  
Rs./Lacs

## SCHEDULE — 15

### EMPLOYEES' REMUNERATION AND BENEFITS

Salaries, wages and allowances	6081.00	4410.57
Contribution to Provident and other Funds	481.56	480.48
Employees' welfare expenses	1056.33	665.08
	<b>7618.89</b>	<b>5556.13</b>

## SCHEDULE — 16

### ADMINISTRATIVE, SELLING AND OTHER EXPENSES

Rent	139.21	89.77
Rates and taxes	32.63	11.10
Insurance	31.77	35.81
Building repairs and maintenance	22.89	37.65
Other repairs and maintenance	241.82	190.88
Travelling, Conveyance and Vehicle Expenses	689.25	389.76
Communication & Stationery Expenses	184.81	140.89
Legal & Professional Charges	660.71	482.83
Security Charges	109.39	87.19
Business Promotion	78.10	41.79
Forwarding Expenses	1623.91	995.51
Directors' Sitting Fees	5.50	4.95
Provision for doubtful advances	0.00	19.61
Bad Debts/Advances Written off	19.61	
Less: Written off against Provision	<u>19.61</u>	0.00
Loss on Disposal of Assets	13.45	23.85
Miscellaneous Expenses	220.79	418.27
<u>Auditors' Remuneration</u>		
Audit Fee	9.00	7.25
Fee for other services (i) Taxation Matters	2.50	2.00
(ii) Limited Review & Consolidation	6.25	5.00
(iii) Certifications	1.71	0.91
	<b>4073.69</b>	<b>2985.02</b>

## SCHEDULE — 17

### FINANCE CHARGES

Interest on fixed loans	2608.41	2441.00
Other interest	12.16	51.72
Bank and other finance charges	265.65	471.02
Cash discount	388.46	397.50
	<b>3274.68</b>	<b>3361.24</b>

## SCHEDULE – 18

### NOTES TO THE ACCOUNTS

#### 1. SIGNIFICANT ACCOUNTING POLICIES

##### I. Accounting Convention :

The financial statements have been prepared in accordance with applicable accounting standards in India notified under Section 211 (3C) of the Companies Act, 1956. Financial statements have also been prepared in accordance with relevant presentation requirements of the Companies Act, 1956 of India.

##### II. Basis of Accounting :

The financial statements are prepared under the historical cost convention on an accrual basis.

##### III. Use of Estimates :

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

##### IV. Fixed Assets and Depreciation :

Fixed Assets are stated at cost of acquisition or construction less accumulated depreciation. Cost comprises of the purchase price, incidental expenses, erection/commissioning expenses and financial charges upto the date the fixed asset is ready for its intended use.

The Company provides depreciation on fixed assets on the straight-line method at the rates specified in Schedule XIV to the Companies Act, 1956 on a pro-rata basis from the month in which the asset is put to use, except as stated below.

- Leasehold improvements are depreciated at the rate of 20% per annum or over the period of lease if less than five years.
- Assets situated at employees' residence are depreciated at the rate of 33.33% per annum.
- Vehicles are depreciated at the rate of 12% per annum from April, 2003.

An asset is treated as impaired when the carrying cost of assets exceeds its recoverable value. An impairment loss is charged to the Profit & Loss Account in the year in which an asset is identified as impaired. The impairment loss recognised in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

##### V. Intangible Assets and Amortization thereof :

Intangible assets comprise new product development expenses and computer software and are stated at cost less accumulated amortization and impairment losses, if any.

Product development costs incurred including technical fees paid to collaborator for the development of new products for which letters of intent have been received from customers are accumulated and recognised as intangible assets (included under fixed assets) and are amortised over a period of six years. Un-amortised products development fee in respect of models discontinued during the year is fully charged off in Profit & Loss Account.

Software, which is not an integral part of the related computer hardware is classified as an intangible asset and is being amortised over a period of 72 months, being the estimated useful life.

Amortization expenses is charged on a pro-rata basis for assets purchased during the year. The appropriateness of the amortization period and the amortization method is reviewed at each financial year end.

##### VI. Leases :

###### Operating Lease :

Lease arrangements, where the risks and rewards incidental to ownership of an asset substantially vest with the lessor, are recognised as operating lease.

Operating lease payments are recognised as an expense in the Profit & Loss Account on a straight line basis over the lease term.

##### VII. Investments :

Long term investments are valued at their acquisition cost. Provision for diminution, other than temporary, is made wherever necessary.



# **VIII. Inventory Valuation :**

- a) Stores and spare parts are valued at lower of weighted average cost and net realisable value.
- b) All tools (including loose tools) are written off over their useful life and un-issued tools are valued at lower of weighted average cost and market value.
- c) Raw materials, Components and Work-in-Process are valued at lower of weighted average cost and net realisable value.
- d) Finished Goods are valued at lower of weighted average cost and net realisable value.

Finished Goods and Work in Process include costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

# **IX. Foreign Currency Transactions :**

Foreign currency transactions are recorded on the basis of average of the exchange rates in force during the relevant week of each month. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the Profit & Loss Account. In case of transaction covered by forward contracts, the difference between the contract rate and exchange rate prevailing on the date of transaction is charged to Profit & Loss Account, proportionately over the contract period. All assets and liabilities denominated in foreign currency are restated at relevant year end rates.

# **X. Excise :**

Excise duty on finished goods manufactured is accounted on the basis of production of goods.

# **XI. Research & Development :**

- a) Capital Expenditure for Research & Development is capitalised in the year of installation.
- b) Revenue expenses incurred for Research & Development for existing products are charged to Profit & Loss Account of the year.

# **XII. Income :**

- 1) Revenue recognition - Revenue from domestic and export sales are recognised on transfer of all significant risks and rewards or ownership to the buyer, which generally coincides with dispatch of goods from factory / port respectively.
- 2) Price escalation claims from customers and discounts from suppliers are accounted in the year under audit, only if they are settled with the customers and suppliers respectively up to the date of finalisation of accounts.
- 3) Dividend on investment is accounted in the year in which it is declared.
- 4) All export benefits are recognised as income when there is substantial certainty as to their realisability e.g.
  - a) DEPB license and FPS are recognized as income on the relevant application being filed.
  - b) Duty draw back is accounted in the year of export.

# **XIII. Expenses :**

- a) Discounts to customers and price escalation to suppliers to the extent not settled at the Balance Sheet date are accounted on the basis of reasonable estimates made after considering negotiations with vendors/customers.
- b) Jigs and fixtures costing less than Rs. 5,000/- each are written off in the year of purchase.
- c) Goods received are accounted as purchases on satisfactory completion of inspection.

# **XIV. Borrowing Cost :**

Borrowing costs on loans relatable to qualifying assets are capitalized to the extent incurred prior to these assets being put to use. Other borrowing costs are written off in the year to which they pertain.

# **XV. Employees' Benefits :**

## Provident Fund

Contributions to defined contribution schemes such as Provident Fund, etc. are charged to the Profit & Loss account as incurred. In respect of certain employees, Provident Fund contributions are made to a Trust administered by the Company. The interest rate payable to the members of the Trust shall not be lower than the statutory rate of interest declared by the Central Government under the Employees Provident Funds and Miscellaneous Provisions Act, 1952 and shortfall, if any, shall be made good by the Company. The remaining contributions are made to a government administered Provident Fund towards which the Company has no further obligations beyond its monthly contributions.

#### Gratuity

The Company has an obligation towards gratuity, a defined benefit retirement plan covering eligible employees. The Company has an Employee Gratuity Fund managed by LIC. The Company accounts for the liability of Gratuity Benefits payable in future based on an independent actuarial valuation.

#### Leave Encashment

The Company provides for the encashment of leave with pay subject to certain rules for certain grade of employees. The eligible employees are entitled to accumulate leave subject to certain limits, for future encashment/availment. The liability is provided based on the number of days of unutilized leave at each balance sheet date on the basis of an independent actuarial valuation.

#### Termination Benefits

Termination benefits are recognised as an expense as and when incurred or only when the obligation can be reliably estimated.

#### XVI. **Taxation :**

Taxes on income for the current year are determined on the basis of provisions of Income Tax Act, 1961.

Deferred Tax is recognised on timing differences between the accounting income and the taxable income for the year and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date.

Deferred Tax assets are recognised and carried forward to the extent that there is a virtual certainty that sufficient future taxable income will be available against which such deferred tax asset can be realised.

#### XVII. **Contingencies :**

Loss contingencies arising from claims, litigations, assessments, fines, penalties, etc., are recorded when it is probable that a liability will be incurred, and the amount can be reasonably estimated.

Warranty cost is provided on the basis of cost of warranty claims received from the customers and a reasonable estimate for future claims is made based on empirical data.

#### XVIII. **Earning Per Share :**

Annualised basic earning per equity share is arrived at based on net profit/(loss) after taxation to the basic/weighted average number of equity shares.

	Current Year Rs./Lacs	Previous Year Rs./Lacs
<b>2. Capital Commitment :</b>		
Estimated amount of contracts remaining to be executed on capital account not provided for (Net of Advances)	<b>2274.57</b>	1548.49
<b>3. Contingent Liabilities :</b>		
I. Claims against the Company not acknowledged as debt on account of		
a) Excise Duty	<b>1322.54</b>	847.36
b) Service Tax	<b>341.88</b>	299.22
c) Local Area Development Tax (LADT)	<b>209.16</b>	-
d) Income Tax - Matters in Appeal	<b>56.81</b>	83.96
e) Warranties/Customers	<b>67.25</b>	22.11
II. Customer Bills Discounted	<b>910.00</b>	-
III. Letter of Credit opened by banks for purchase of inventory/capital goods	<b>867.00</b>	1324.51
<b>4. Raw Material and Components consumed are net of Rs. 3036.74 Lacs (Previous Year Rs. 2522.39 Lacs) being the value of dispatches made to vendors for job work.</b>		
<b>5. Miscellaneous Income in Schedule 12 includes :</b>		
a) Nil (Previous Year Rs. 29.54 Lacs) being provision for slow moving inventory written back.		
b) Rs. 171.99 Lacs being Service Income from Business Support fees.		
<b>6. The Company has an R&amp;D Centre (Approved by the Department of Scientific and Industrial Research, Ministry of Science &amp; Technology, Govt. of India) on which revenue expenditure incurred in addition to capital expenditure is Nil (Previous Year Rs. 7.07 Lacs) is as under:</b>		



	Current Year (Rs./ Lacs)	Previous Year (Rs./ Lacs)
a) Travelling Expenses	10.75	7.54
b) Salary & Allowances	180.93	143.73
c) Components, Tools & Spares	40.82	2.11
d) Professional Charges	1.39	0.47
e) Others	1.20	0.91
<b>TOTAL</b>	<b>235.09</b>	<b>154.76</b>

Note - The above figures are as certified by the management and accepted by the Auditors

7. Fixed Assets / Capital work in progress during the year includes :

a) Technical know-how Fees	491.57	169.79
b) Professional Charges - Technical Support Services	23.18	8.53
c) Development Expenses	0.00	70.24
d) Components, Tools & Spares	477.84	204.24
e) Travelling Expenses	43.65	17.64
f) Interest & Bank Charges	114.03	0.00
g) Training	1.90	0.00
h) Others	51.32	33.95
i) Salary	0.00	4.18
<b>TOTAL</b>	<b>1203.49</b>	<b>508.57</b>

8. Information in terms of Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006 :

Details of dues to Micro, Small and Medium Enterprises as per MSMED Act, 2006	31st March, 2011 (Rs. / Lacs)	31st March, 2010 (Rs. / Lacs)
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year.	<b>Principal - 36.29 Interest - 0.00</b>	Principal - 32.69 Interest- 0.00
The amount of interest paid by the buyer in terms of Section 16, of the Micro, Small and Medium Enterprises Development Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year.	0.00	0.00
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro, Small and Medium Enterprises Development Act, 2006.	0.00	0.00
The amount of interest accrued and remaining unpaid at the end of each accounting year, and the amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises for the purpose of disallowance as a deductible expenditure under Section 23 of the Micro Small and Medium Enterprises Development Act, 2006.	0.00	0.00

9. **Defined Benefit Plans**

- i) The Company has recognised, in the Profit & Loss Account for the year ended March 31, 2011 an amount of Rs. 413.06 Lacs (Previous Year Rs. 321.58 Lacs) expenses under defined contribution plans.

Contribution to Defined Contribution Plans include :

a) Provident Fund	283.27	227.56
b) Superannuation Fund	105.05	83.44
c) Employee State Insurance Corporation	24.74	10.58
	<b>413.06</b>	<b>321.58</b>

The expense is disclosed in the line item - Contribution to Provident and Other Funds in Schedule 15



- ii) The Company operates post retirement defined benefit plan for retirement gratuity, which is funded.  
iii) Detail of the post retirement funded Gratuity plan and Leaves, which is unfunded, are as follows :

	Gratuity (Funded)		Leaves (Unfunded)	
	Current Year (Rs./ Lacs)	Previous Year (Rs./ Lacs)	Current Year (Rs./ Lacs)	Previous Year (Rs./ Lacs)
1. Reconciliation of opening and closing balances of obligations:				
a) Obligation as at April 1, 2010	700.56	687.86	242.39	65.79
b) Current Service Cost	70.08	55.39	78.19	142.80
c) Interest Cost	56.05	51.59	19.39	4.60
d) Actuarial (Gain) / Loss	118.89	(64.05)	70.32	77.23
e) Benefits paid	(41.49)	(30.23)	(47.14)	(48.03)
f) Obligation as at March 31, 2011	904.09	700.56	363.15	242.39
2. Change in Plan Assets (Reconciliation of opening and closing balances):				
a) Fair Value of Plan Assets as at April 1, 2010	860.02	682.69	0.00	0.00
b) Prior Period Adjustment	0.00	0.00	0.00	0.00
c) Expected return on Plan Asset	81.20	63.49	0.00	0.00
d) Contributions	34.08	137.83	0.00	0.00
e) Benefits paid	(41.49)	(30.23)	0.00	0.00
f) Actuarial Gain / (Loss) on Plan Assets	0.00	6.24	0.00	0.00
g) Fair Value of Plan Assets as at March 31, 2011	933.81	860.02	0.00	0.00
3. Reconciliation of fair value of assets and obligations:				
a) Present value of obligation as at March 31, 2011	904.09	700.56	363.15	242.39
b) Fair Value of Plan Assets as at March 31, 2011	(933.81)	(860.02)	0.00	0.00
c) Asset / liability recognised in the Balance Sheet	0.00*	0.00*	363.15	242.39

\* The excess of Assets over Liabilities in respect of Gratuity has not been recognised as the same is lying in an Income Tax approved irrevocable Trust Fund

	Gratuity (Funded)		Leaves (Unfunded)	
	Current Year (Rs./ Lacs)	Previous Year (Rs./ Lacs)	Current Year (Rs./ Lacs)	Previous Year (Rs./ Lacs)
4. Expense recognised during the year:				
a) Current Service Cost	70.08	55.39	78.19	142.80
b) Interest Cost	56.05	51.59	19.39	4.60
c) Expected return on Plan Assets	(81.20)	(63.49)	0.00	0.00
d) Actuarial (Gain) / Loss	118.89	(70.29)	70.32	77.23
e) Expenses recognised during the year	163.82	(26.80)	167.90	224.63
5. Assumptions:				
a) Discount Rate (per annum)	8.10%	8.00%	8.10%	8.00%
b) Expected rate of return on Plan Assets (per annum)	9.40%	9.40%	N.A.	N.A.
c) Rate of increase in compensation level (per annum)	5.50%	5.00%	5.50%	5.00%

The estimates of future salary increases, considered in actuarial valuation, take into account inflation, seniority, promotions and other relevant factors including supply and demand in the employment market.

The above information is certified by the actuarial valuer.

The discount rate is based on the prevailing market yield of Govt. Bonds as at the date of valuation.

Expected return on asset - The expected return on assets over the accounting period, based on an assumed rate of return.

- iv) Investment details of plan assets :

The Gratuity Trust has taken up a group policy with Life Insurance Corporation of India.

10. Additional information pursuant to Part II of Schedule VI to the Companies Act, 1956:

A) Particulars of Capacity (as certified by the management & accepted by the Auditors)

Item	Licensed & Installed Capacity (Nos.)	
	Current Year	Previous Year
Steering Product Group	6309400	6089000
Driveline Product Group	1610500	1316700

B) Production, Sale & Closing Stock of Finished Goods

i) Opening Stock & Production

(Rs./Lacs)

Item	Opening Stock				Production*	
	Current Year Nos.	Current Year Value	Previous Year Nos.	Previous Year Value	Current Year Nos.	Previous Year Nos.
Steering Gear Assembly	113534	136.85	17198	42.86	2668367	2329064
Axle Assembly including Components	3000	6.54	1005	3.34	856792	915443
Rack & Pinion Assy.	1097	18.54	3697	35.34	967674	751132
Column & UJ Assy.	56003	89.52	3644	26.16	1347539	1177189
Total		251.45		107.70		

Notes :1) Production includes 137 pcs. (Previous Year 142 pcs.) of Sub Assemblies Steering for sample.

2) Above values include price escalation claims/reduction.

\* In view of the number of Components and Spares being large and having different units of measurement, it is not possible to give quantitative information.

ii) Sales & Closing Stock

(Rs./Lacs)

Item	Sales				Closing Stock			
	Current Year Nos.	Current Year Value	Previous Year Nos.	Previous Year Value	Current Year Nos.	Current Year Value	Previous Year Nos.	Previous Year Value
Steering Gear Assembly incl. Components	2636604	59750.73	2232728	54822.16	145297	234.12	113534	136.85
Axle Assembly including Components	846025	17780.77	913448	11898.35	13767	16.96	3000	6.54
Rack & Pinion Assy.	967017	17461.65	753732	12368.67	1754	23.22	1097	18.54
Column & UJ Assy.	1400708	11081.84	1124830	7575.75	2834	21.49	56003	89.52
Others incl. sale of bought out Components as Spares*	—	9136.22	—	6231.77	—	—	—	—
Total		115211.21		92896.71		295.79		251.45

Notes : 1) Above values include price escalation claims/reduction.

\*2) In view of the number of Components and Spares being large and having different units of measurement, it is not possible to give quantitative information.

\*3) Includes sales of traded goods also shown separately in F below.

C) Raw Material and Components consumed

(Rs./Lacs)

Item	Current Year		Previous Year	
	Qty./M.Ton	Value	Qty./M.Ton	Value
Raw Material : Steel Bars (In M.T.)	772.57	708.11	807.58	510.65
Components	—	74536.77	—	63024.69
Total	772.57	75244.88	807.58	63535.34

Note: In view of innumerable sizes/number of the components it is not possible to give quantitative details.

D) Value of consumption of imported and indigenous raw materials, components, tools, stores and spares and percentage of each to total consumption:

Item	Current Year		Previous Year	
	Rs./Lacs	%	Rs./Lacs	%
Raw Material & Components				
Imported	13641.90	18.13%	20985.72	33.03%
Indigenous	61602.98	81.87%	42549.62	66.97%
	75244.88	100.00%	63535.34	100.00%
Stores & Spares				
Imported	187.05	14.78%	6.18	0.66%
Indigenous	1078.52	85.22%	930.29	99.34%
	1265.57	100.00%	936.47	100.00%
Tools (Includes Loose Tools)				
Imported	145.80	20.14%	3.57	0.66%
Indigenous	578.13	79.86%	537.71	99.34%
	723.93	100.00%	541.28	100.00%



	Current Year Rs./Lacs	Previous Year Rs./Lacs
E) CIF Value of Direct Imports		
Capital Goods	<b>422.46</b>	229.27
Raw Material, Components, Spares & Tools	<b>15789.13</b>	19528.89
	<b>16211.59</b>	19758.16

Note : The Ministry of Corporate Affairs vide notification S.O.301(E), F.No. 51/12/2007-CL-III dated 8th February, 2011 has granted a general exemption from disclosing in their financial statements, the information about certain goods as required para 3 (i) (a) and 3 (ii) (a) of Part-II of Schedule VI. The Company has accordingly not disclosed the information to the extent exempt under the aforesaid notification.

F) Trading Account (Current Year)<sup>#</sup>

Description of Goods	Opening Stock Sets	Rs. in lacs	Purchase Sets	Rs. in lacs	Sales Sets	Rs. in lacs	Closing Stock Sets	Rs. in lacs
Reservoir	2452	3.83	76824	138.87	74914	205.71	4362	9.55
Others*				807.20		1079.53		
Trading Account (Previous Year) <sup>#</sup>								
Description of Goods	Opening Stock Sets	Rs. in lacs	Purchase Sets	Rs. in lacs	Sales Sets	Rs. in lacs	Closing Stock Sets	Rs. in lacs
Reservoir	6592	15.39	94618	160.10	98758	257.94	2452	3.83
Others*				361.30		451.62		

# Sales of Traded Goods also disclosed in B above.

\* In view of innumerable sizes/number of the components it is not possible to give quantitative detail.

G) Expenditure in Foreign Currency (on Cash Basis)

Books and Periodicals	<b>0.03</b>	0.04
Royalty (Net of taxes)	<b>64.87</b>	255.70
Technical Services (Net of Taxes)	<b>293.16</b>	242.84
Foreign Travels	<b>47.99</b>	39.33
Legal and Professional Charges (Net of Taxes)	<b>47.34</b>	45.56
Training Fees	<b>16.78</b>	0.00
Warehouse Charges	<b>6.81</b>	9.41
Interest (Net of Taxes)	<b>1.36</b>	123.05
Others (Net of Taxes)	<b>2.25</b>	16.33
	<b>480.59</b>	732.26

H) Remittance in Foreign Currency (on Cash Basis)

Dividend	<b>137.06</b>	0.00
No. of Non Resident Shareholders	<b>378</b>	N/A
No. of Shares held by Non Resident Shareholders	<b>45687343</b>	N/A
Year to which the dividend relates	<b>2009-2010</b>	N/A

I) Earnings in Foreign Exchange (on accrual basis)

a) FOB value of Export of Goods	<b>4370.16</b>	3188.19
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The net difference of Rs. 266.18 Lacs gain (Previous Year Rs. 514.71 Lacs gain) on account of foreign currency fluctuation on revenue account has been charged to relevant revenue account.

11. Forward Contracts outstanding and un-hedged Foreign Currencies exposures are as given below:

The Company uses foreign exchange forward contracts to hedge its exposure to movements in foreign exchange rates. These foreign exchange contracts are not used for trading or speculation purposes.

The Company has a risk of Foreign Currency exposure on the following derivative Instruments that are outstanding at the year end:

Nature of Contracts	Current Year		Previous Year	
	Number of Contracts	Foreign Currency Amount (In Lacs)	Number of Contracts	Foreign Currency Amount (In Lacs)
Forward Contracts (JPY)	34	3729.14	48	10403.81
Rupees Equivalent Value	-	2026.04	-	5059.37
Forward Contracts (USD)	-	-	5	6.78
Rupees Equivalent Value	-	-	-	306.32



## Un-hedged Foreign Currency Exposure

	Current Year (Amount in Lacs)				Previous Year (Amount in Lacs)			
	CHF	EURO	USD	YEN	CHF	EURO	USD	YEN
Creditors	1.15	0.20	30.04	2441.46	0.00	0.20	22.11	356.68
Rupees Equivalent Value	56.57	12.78	1346.69	1326.45	0.00	12.20	998.93	173.45
Debtors & Loans & Advances	-	12.39	28.21	21.64	-	5.88	16.70	20.74
Rupees Equivalent Value	-	780.20	1252.81	11.57	-	353.51	747.33	9.93

12. Expenditure on account of premium on forward exchange contracts to be recognised in the Profit & Loss Account of subsequent accounting period aggregates to Rs. 60.21 Lacs (Previous Year Rs. 68.52 Lacs).

	Current Year Rs./Lacs	Previous Year Rs./Lacs
13. Directors' Remuneration		
I) Chairman, Vice Chairman & Managing Director and Dy. Managing Director		
a) Salary	133.10	118.49
b) Commission	256.00	0.00
c) Perquisites	120.87	12.35
d) Contribution to Provident & Superannuation Funds	30.01	15.83
	<b>539.98</b>	<b>146.67</b>
II) Non Whole Time Directors		
a) Commission	54.00	14.00
b) Directors' sitting fees	5.50	4.95
	<b>59.50</b>	<b>18.95</b>
Grand Total	<b>599.48</b>	<b>165.62</b>

Note : The above remuneration excludes provision for gratuity and leave encashment costs, since these are based on actuarial valuations done on an overall company basis.

III) Calculation of Commission payable to Directors including		
Chairman, Vice Chairman & Managing Director and Dy. Managing Director		
Profit before Tax as per Profit & Loss Account	5149.65	3296.66
Add: Directors' Remuneration	593.98	160.67
Less: Profit on sale of fixed assets as per Profit & Loss Account	0.00	0.00
Profit on sale of Investments(Net)	332.18	0.00
Adjusted Profit before tax	5411.45	3457.33
Less: Excess of expenditure over Income brought forward from previous financial year	0.00	(1987.28)
Net Profit u/s 198 for the year	5411.45	1470.05
11% of the above (Previous Year 11%)	595.26	161.71
Commission restricted to maximum payable as per resolution		
a) Chairman, Vice Chairman & Managing Director & Dy. Managing Director	256.00	0.00
b) Non Whole Time Directors	54.00	14.00

Note: In respect of certain fixed assets, the Company depreciates such fixed assets based upon estimated useful life which are lower or equal to the implicit estimated life prescribed by Schedule XIV of the Companies Act, 1956. Thus, the rate of depreciation in the books is higher than that prescribed as the minimum by the Companies Act, 1956 and this value has been considered as a deduction for the computation of managerial remuneration above.

## 14. Interest in Joint Ventures

- a) During the year the Company was holding 24,000 Equity Shares of US \$1 each in Sona Autocomp Inc., incorporated in USA. This was 24% of the paid up share capital of Sona Autocomp Inc.
- The Company's interest in this joint venture was reported as Long Term Investments (Schedule 5) and was stated at Cost at the beginning of the year.
- During the year the Company has sold its entire Investment in the said Joint Venture.

The Company's share of each of assets, liabilities, income and expenses at the year end related to its interest in this joint venture is as follows:

	Current Year Rs./Lacs	Previous Year Rs./Lacs
<b>A) Assets</b>		
1. Fixed Assets (Net block)	N/A	0.19
Capital work in progress	N/A	0.00
Investments	N/A	0.00
2. Current Assets, Loans and Advances		
Inventories	N/A	0.00
Sundry debtors	N/A	0.00
Cash and Bank Balance	N/A	0.48
Other Current Assets	N/A	0.00
<b>B) Liabilities</b>		
1. Loan Funds	N/A	0.00
2. Current Liabilities and Provisions	N/A	4.40
3. Capital & Reserves	N/A	(3.73)
<b>C) Income</b>		
1. Sales and Services (Net)	N/A	14.04
2. Other Income	N/A	0.00
<b>D) Expenditure</b>		
1. Salaries	N/A	18.64
2. Insurance	N/A	0.00
3. Fixed Expenses	N/A	3.09
4. Taxes	N/A	2.07
5. Others	N/A	5.39
<b>E) Profit After Tax</b>	N/A	(15.15)

- b) During the year the Company was holding 12,000 Equity Shares of Euro 1 each in Sona Autocomp Europe SARL, incorporated in France. This was 24% of the paid up share capital of Sona Autocomp Europe SARL.

The Company's interest in this joint venture was reported as Long Term Investments (Schedule-5) and was stated at Cost at the beginning of the year.

During the year the Company has sold its entire Investment in the said Joint venture.

The Company's share of each of assets, liabilities, income and expenses at the year end related to its interest in this joint venture is as follows :

<b>A) Assets</b>		
1. Fixed Assets (Net Block)	N/A	0.00
Investments	N/A	0.00
2. Current Assets, Loans and Advances		
Inventories	N/A	6.56
Sundry Debtors	N/A	26.08
Cash and Bank Balance	N/A	12.19
Other Current Assets	N/A	26.01
<b>B) Liabilities</b>		
1. Loan Funds	N/A	0.36
2. Current Liabilities and Provisions	N/A	55.70
3. Shareholder Fund	N/A	14.78
<b>C) Income</b>		
1. Sales and Services (Net)	N/A	179.78
2. Other Income	N/A	3.59
<b>D) Expenditure</b>		
1. Cost of Sales	N/A	162.72
2. Salaries and Wages	N/A	5.45
3. Selling and Admn. Expenses	N/A	11.98
4. Provision for Taxation	N/A	0.98
<b>E) Profit After Tax</b>	N/A	2.24

- c) During the year the Company was holding 27,60,000 Equity Shares of Rs. 10/- each in AAM Sona Axle Pvt. Ltd. incorporated in India. This was 30% of the paid up capital of AAM Sona Axle Pvt. Ltd. The Company's interest in this joint venture was reported as Long Term Investments (Schedule 5) and was stated at Cost at the beginning of the year. During the year the Company has sold its entire Investment in the said Joint venture. The Company's share of each of assets, liabilities, income and expenses at the year end related to its interest in this joint venture is as follows:

	Current Year Rs./Lacs	Previous Year Rs./Lacs
<b>A) Assets</b>		
1. Fixed assets (Net block) including CWIP Investment	N/A N/A	749.20 0.00
2. Current Assets, Loans and Advances		
Inventories	N/A	67.22
Sundry Debtors	N/A	127.95
Cash and Bank Balance	N/A	46.30
Other Current Assets	N/A	15.32
<b>B) Liabilities</b>		
1. Loan Funds	N/A	825.97
2. Current Liabilities and Provisions	N/A	135.74
3. Shareholder Fund	N/A	44.28
<b>C) Income</b>		
1. Sales and Services (Net)	N/A	315.03
2. Other Income	N/A	1.02
<b>D) Expenditure</b>		
1. Cost of Sales	N/A	352.70
2. Salaries and Wages	N/A	45.98
3. Selling and Admn. Expenses	N/A	27.54
4. Provision for Taxation	N/A	0.00
5. Others	N/A	121.55
<b>E) Profit After Tax</b>	N/A	(231.72)

15. Deferred Tax Liability (Net) of Rs. 2989.25 Lacs (Previous Year Rs.2279.25 Lacs) as shown in the Balance Sheet consist of:

<b>A) Deferred tax liability representing tax arising out of timing difference on account of</b>		
(i) Depreciation	3179.94	3079.07
(ii) Effect of Custom Duty & Excise Duty allowed for tax purposes in the current year but will be debited to Profit & Loss Account in the following year	12.26	29.43
	<u>3192.20</u>	<u>3108.50</u>
<b>B) Deferred tax asset representing future tax benefit on</b>		
(i) Leave Encashment Provision	202.95	114.89
(ii) Effect of expenditure debited to Profit & Loss Account in the current year but allowed for tax purposes in the following year	0.00	38.73
(iii) Carry forward of unabsorbed Depreciation and Business Losses	0.00	675.63
	<u>202.95</u>	<u>829.25</u>
<b>Net Deferred Tax Liability (A-B)</b>	<u>2989.25</u>	<u>2279.25</u>

The Deferred Tax Asset on Unabsorbed Depreciation and Business Loss has been recognised based on the profits as per the Letter of Intent in hand from customers.



		Current Year Rs./Lacs	Previous Year Rs./Lacs
16.	<b>Earning Per Share (EPS)</b>		
	- Net Profit after Tax (Rs. Lacs)	<b>3741.13</b>	2164.53
	- Profit/(Loss) attributable to the Equity Shareholders (A)	<b>3741.13</b>	2164.53
	- Basic/Weighted Average number of Equity Shares outstanding during the year (Nos.) (B)	<b>198,741,832</b>	198,741,832
	- Nominal Value of Equity Shares (In Rs.)	<b>1.00</b>	1.00
	- Basic and Diluted Earnings Per Share (In Rs.) (A/B)	<b>1.88</b>	1.09

17. **Operating Leases**

a) The Company has taken various residential, vehicle and office premises under operating lease or lease and licence agreements. These are cancelable, have a term of 11 months and five years. The agreements for premises cannot be terminated by either party before the expiry of one year. Agreements for leasing of vehicles can generally be terminated early by payment of nominal fees. The lease arrangements are generally renewable on the expiry of lease period subject to mutual agreement. Lease payments are recognised in the Profit & Loss Account in the year incurred. The Company has taken cars for its employees under operating lease agreement. An amount of Rs. 25.28 Lacs (Previous Year Rs. 44.02 Lacs) is recognised as lease expenses in the Profit & Loss Account for the year ended March 31, 2011. The future lease payments are:

- (i) upto 1 year Rs. 21.89 Lacs (Previous Year Rs. 26.04 Lacs)
- (ii) between 1 to 5 years Rs. 27.66 Lacs (Previous Year Rs. 16.77 Lacs)

b) The Company has given part of its factory building at Chennai under operating lease on lease and licence agreement. The agreement for premises cannot be terminated by either party before the expiry of three years. The lease arrangement is renewable on the expiry of lease period subject to mutual agreement. Lease receipts of Rs. 37.01 Lacs are recognised in the Profit & Loss as per terms of agreement. The future lease receipts are :

- (i) upto 1 year Rs. 38.85 Lacs (Previous Year Rs. Nil)
- (ii) between 1 to 5 year Rs. 68.89 Lacs (Previous Year Nil)

18. The Company is primarily engaged in the business of auto components of four wheelers, which are governed by the same set of risk and returns, and hence there is only one primary segment. The Company operates mainly to the needs of domestic market and export turnover is less than ten percent of the total turnover and hence there are no reportable secondary geographical segments.

19. Provision for warranty account details as required by AS-29 (Rs./Lacs)

Description	Current Year	Previous Year
Opening Balance	<b>95.00</b>	93.00
Add : Addition During the Year	<b>25.00</b>	2.00
Closing Balance	<b>120.00</b>	95.00

The warranty expenses of Rs. 151.81 Lacs (Previous Year Rs. 120.01 Lacs) are charged off to Profit & Loss Account included under the head Forwarding Expenses (Schedule 16).

**20 (a). Related Party Disclosures (Transactions with Related Parties)**

(Rs./Lacs)

	Significant control (1)	Substantial Interest (2)	Joint Venture (3)	Others (Significant Influence) (4)	Subsidiaries (5)	Key Management Personnel (6)	Relative of key Management Personnel (7)	Total (8)
PURCHASE OF GOODS		8671.52		10096.09	5616.99			24384.59
Purchase of Goods (Previous Year)		(12218.80)		(7924.42)	(692.54)			(20835.77)
PURCHASE OF CAPITAL GOODS				7.24				7.24
Purchase of Capital Goods (Previous Year)								0.00
SALE OF GOODS		61.16	33.46	59499.80	4433.20			64027.62
Sale of Goods (Previous Year)		(8.18)	(586.67)	(53487.49)	(315.79)			(54398.13)
SALE OF CAPITAL GOODS					137.53			137.53
Sale of Capital Goods (Previous Year)								0.00
RENDERING OF SERVICES				166.55	25.05			191.60
Rendering of Services (Previous Year)		(12.60)		(193.06)	(7.38)			(213.04)
RECEIVING OF SERVICES		637.07	39.13	82.48	9.27			767.94
Receiving of Services (Previous Year)		(399.18)	(31.71)	(524.79)	(2.04)			(957.72)
REIMBURSEMENT OF EXPENSES RECOVERED		36.09		11.41	118.53			166.03
Reimbursement of Expenses recovered (Previous Year)		(0.13)		(42.84)				(42.97)
INTEREST INCOME					1.81			1.81
Interest Income (Previous Year)								0.00
REIMBURSEMENT OF EXPENSES			7.36	1.99				9.35
Reimbursement of Expenses (Previous Year)			(8.31)		(0.46)			(8.77)
CASH DISCOUNT PAID				495.19				495.19
Cash discount Paid (Previous Year)								0.00
OTHER INCOME				2.63	4.53			7.16
Other Income (Previous Year)								0.00
LEASING OF PREMISES				12.52	37.01			49.53
Leasing of Premises (Previous Year)		(26.27)		(11.11)	(12.13)			(49.51)
GUARANTEES & COLLATERALS				0.00				0.00
SHARE APPLICATION MONEY PENDING FOR ALLOTMENT					248.29			248.29
Share Application Money Pending for allotment (Previous Year)								0.00
INVESTMENT IN SHARE CAPITAL								0.00
Investment in Share Capital (Previous Year)					(1258.81)			(1258.81)
SALE OF LONG TERM INVESTMENT				13.14				13.14
ADVANCE GIVEN					100.00			100.00
Advance Given (Previous Year)								0.00
ADVANCE RECEIVED								0.00
Advance Received (Previous Year)					(18.12)			(18.12)
REMUNERATION*	87.14					386.96		474.10
Remuneration (Previous Year)	(39.38)					(213.17)		(252.55)
DIRECTORS' COMMISSION	40.00					216.00		256.00
Directors' Commission (Previous Year)								0.00
DIVIDEND PAID		119.84		191.14				310.98
Dividend Paid (Previous Year)								0.00
OUTSTANDING BALANCE AS ON 31.03.2011(DEBIT)			8.06	1099.46	190.15			1297.66
Outstanding Balance as on 31.03.2010 (Debit)			(308.17)	(1469.27)	(2.48)			(1779.92)
OUTSTANDING BALANCE AS ON 31.03.2011(CREDIT)		3830.71		1119.57				4950.27
Outstanding Balance as on 31.03.2010 (Credit)		(5126.56)		(547.09)	(169.15)			(5842.79)

1. Figures in bracket are in respect of the previous year.

2. \* Remuneration includes Superannuation and Provident Fund.

Name of Related Parties &amp; Description of Relationship is as below :

- |  |   |
|--|---|
| 1. The Individual/Entity Exercising Control over the Company | 1. Dr. Surinder Kapur   |
| 2. The entity having substantial interest in the Company     | 1. JTEKT Corporation  |
| 3. Joint Ventures  | 1. Sona Autocomp Inc.   |
| (Part of the year till disposal of respective investments)   | 2. Sona Autocomp Europe SARL  |
| 4. Others (Significant Influence)                            | 3. AAM Sona Axle Pvt. Ltd.  |
|  | 1. Sona Somic Lemforder Components Ltd.                                   |
|  | 2. Sona Okegawa Precision Forgings Ltd.                                   |
|  | 3. Mahindra Sona Ltd.   |
|  | 4. Maruti Suzuki India Ltd.   |
|  | 5. Sona e-Design and Technologies Ltd.                                    |
|  | 6. Fuji Autotech AB, Sweden   |
|  | 7. Pune Heat Treat Pvt. Ltd.  |
|  | 8. DRSK Management Services Pvt. Ltd.                                     |
|  | 9. Sona Mobility Services Ltd.  |
|  | 10. Sona Autocomp Holding Pvt. Ltd.                                       |
|  | 11. Kapur Properties & Investment   |
|  | 12. Fuji Autotech Europe SAS  |
| 5. Subsidiaries  | 1. Sona Fuji Kiko Automotive Ltd.   |
|  | 2. Sona Stampings Ltd.  |
|  | 3. JTEKT SONA Automotive India Ltd.                                       |
| 6. Key Management Personnel                                  | 1. Dr. Surinder Kapur - (Transactions disclosed under category (1) above) |
|  | 2. Mr. Sunjay Kapur   |
|  | 3. Mr. P.V. Prabhu Parriker   |
|  | 4. Mr. Kiran M. Deshmukh  |
|  | 5. Mr. Sudhir Chopra  |
|  | 6. Mr. Govindrajan Sunder Rajan   |



(b) **Transaction in excess of 10% of the total Related Party Transactions**

(Rs./Lacs)

Relationship	Name of Party	Description of the nature of transaction	For the Year Ended 31-Mar-2011	For the Year Ended 31-Mar-2010
Other Significant influence	Sona Somic Lemforder Components Ltd.	Purchase of Goods	8229.86	6860.75
Subsidiaries	JTEKT Sona Automotive India Ltd.	Purchase of Goods	4844.93	0.00
Substantial Interest	JTEKT Corporation	Purchase of Goods	8671.52	12218.80
Other Significant influence	Sona e-design & Technologies Ltd.	Purchase of Fixed Assets	7.24	0.00
Other Significant influence	Maruti Suzuki India Ltd.	Sales	58886.54	53103.24
Subsidiaries	JTEKT Sona Automotive India Ltd.	Sale of Fixed Assets	137.53	0.00
Other Significant influence	Sona Somic Lemforder Components Ltd.	Rendering of Services	83.27	111.30
Other Significant influence	Sona Okegawa Precision Forgings Ltd.	Rendering of Services	83.27	79.08
Subsidiaries	Sona Fuji Kiko Automotives Ltd.	Rendering of Services	23.20	0.00
Other Significant influence	Maruti Suzuki India Ltd.	Receiving of Services	0.00	374.94
Substantial Interest	JTEKT Corporation	Receiving of Services	637.07	399.18
Other Significant influence	Sona Somic Lemforder Components Ltd.	Reimbursement of Expenses Recovered	0.00	42.84
Subsidiaries	Sona Stampings Ltd.	Reimbursement of Expenses Recovered	118.53	0.00
Substantial Interest	JTEKT Corporation	Reimbursement of Expenses Recovered	36.09	0.00
Subsidiaries	Sona Stampings Ltd.	Interest Income	1.81	0.00
Other Significant influence	Mahindra Sona Ltd.	Reimbursement of Expenses Paid	1.86	0.00
Joint Ventures	Sona Autocomp Inc.	Reimbursement of Expenses Paid	7.36	8.31
Other Significant influence	Maruti Suzuki India Ltd.	Cash Discount Paid	495.19	0.00
Other Significant influence	Sona Okegawa Precision Forgings Ltd.	Other Income	2.63	0.00
Subsidiaries	Sona Stamping Ltd.	Other Income	4.53	0.00
Other Significant influence	Pune Heat Treat Pvt Ltd.	Leasing of Premises	9.24	9.24
Subsidiaries	JTEKT Sona Automotive India Ltd.	Leasing of Premises	37.01	12.13
Substantial Interest	JTEKT Corporation	Leasing of Premises		26.27
Substantial Interest	JTEKT Corporation	Dividend Paid	119.84	0.00
Other Significant influence	Maruti Suzuki India Ltd.	Dividend Paid	41.40	0.00
Other Significant influence	Sona Autocomp Holding Pvt. Ltd.	Dividend Paid	149.74	0.00
Subsidiaries	Sona Stampings Ltd.	Share application money pending for allotment	248.29	0.00
Subsidiaries	JTEKT Sona Automotive India Ltd.	Investment in share capital	0.00	1258.81
Other Significant influence	Pune Heat Treat Pvt. Ltd.	Sale of long term investment	13.14	0.00
Subsidiaries	Sona Stampings Ltd.	Advance Given	100.00	0.00
Subsidiaries	JTEKT Sona Automotive India Ltd.	Advance Received	0.00	16.50
Significant Control	Dr. Surinder Kapur	Remuneration	87.14	39.37
Key Management Person	Mr. P.V. Prabhu Parriker	Remuneration	0.00	33.76
Key Management Person	Mr. K.M. Deshmukh	Remuneration	58.18	53.80
Key Management Person	Mr. Sudhir Chopra	Remuneration	77.39	35.37
Key Management Person	Mr. Sunjay Kapur	Remuneration	138.66	53.50
Key Management Person	Mr. Govindrajan Sunder Rajan	Remuneration	77.57	36.75
Significant Control	Dr. Surinder Kapur	Commission	40.00	0.00
Key Management Person	Mr. Sunjay Kapur	Commission	162.00	0.00
Key Management Person	Mr.K.M. Deshmukh	Commission	54.00	0.00
Other Significant influence	Maruti Suzuki India Ltd.	Balances (Debit)	1068.01	1430.66
Other Significant influence	Sona Autocomp Europe S.A.R.L.	Balances (Debit)	0.00	247.17
Other Significant influence	Sona Somic Lemforder Components Ltd.	Balances (Credit)	1029.30	0.00
Substantial Interest	JTEKT Corporation	Balances (Credit)	3830.71	5126.56

21. The amount of excise duty disclosed as deduction from turnover is the total excise duty for the year except excise duty related to difference between the closing stock and opening stock and excise duty paid but not recovered, which has been disclosed as excise duty expense in "Raw Material and Components Cost - Increase/(Decrease) in excise duty on finished goods" under Schedule 14 annexed and forming part of Profit & Loss Account.

22. Previous year figures have been regrouped/recast wherever necessary.

Signature to Schedule 1 to 18

As per our report of even date attached

For S.P. Puri & Co.,  
Chartered Accountants  
FRN 001152 N

(Rajiv Puri - Partner)  
Membership No. 84318

Place : New Delhi  
Dated : 28th April, 2011

Sudhir Chopra - Company Secretary  
Rajiv Chanana - Chief Financial Officer

For and on behalf of the Board

Sunjay Kapur-Vice Chairman & Managing Director  
Prem Kumar Chadha - Director



## CASH FLOW STATEMENT

	Year Ended 31st March, 2011 Rs./Lacs	Year ended 31st March, 2010 Rs./Lacs
<b>A. CASH FLOW FROM OPERATING ACTIVITIES :</b>		
Net Profit before tax and extraordinary items	5149.65	3296.66
Adjustment for :		
Depreciation	2844.78	2658.03
(Profit)/Loss on sale of Fixed Assets	13.45	23.85
(Profit)/Loss on sale of Long Term Investments	(332.18)	0.00
Dividend from Long Term Investment-Trade	(7.00)	(7.00)
Provision for Doubtful Advances Written Back	(19.61)	0.00
Bad Debts/Advances Written off	19.61	19.61
Provision for Slow Moving Inventory Written Back	0.00	(29.54)
(Gain)/Loss on Revaluation of Foreign Currency Loans	0.00	(101.50)
Interest Expense	2620.57	2492.72
Interest Income	(26.11)	(67.39)
Operating Profit before Working Capital Changes	5113.51	4988.78
(Increase)/Decrease in Sundry Debtors	10263.16	8285.44
(Increase)/Decrease in Inventories	(2405.93)	(1061.00)
(Increase)/Decrease in Loans & Advances/Other Current Assets	(822.86)	(1079.21)
Increase/(Decrease) in Current Liabilities & Provisions	(1744.92)	1398.68
Cash generated from operations	3107.49	(1866.22)
Income Tax Paid (Net of Income Tax Refund)	8396.94	7411.05
Net Cash from operating activities	(789.42)	(74.68)
	7607.52	7336.37
<b>B. CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Purchase of Fixed Assets (including CWIP)	(4386.13)	(1953.42)
Proceeds from sale of Fixed Assets	180.51	42.56
Proceeds from sale of Long Term Investment	925.84	0.00
Proceeds for purchase of Long Term Investment	(248.29)	(1258.81)
Dividend Received	7.00	7.00
Interest Received	26.11	67.39
Net cash (used)/raised from investing activities	(3494.96)	(3095.28)
<b>C. CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Proceeds From Fresh Borrowings	3318.38	9498.17
Repayment of Borrowings	(4058.69)	(11383.74)
Interest Paid	(2610.31)	(2509.54)
Dividend Paid	(596.23)	0.00
Tax on Dividend Paid	(99.03)	0.00
Net Cash used in financing activities	(4045.88)	(4395.11))
Net increase in cash & cash equivalents (A+B+C)	66.68	(154.02)
<b>Cash &amp; Cash Equivalents as at 31.03.2010</b>		
Cash & Bank Balances	78.61	232.63
<b>Cash &amp; Cash Equivalents as at 31.03.2011</b>		
Cash & Bank Balances	145.29	78.61

### NOTES TO THE CASH FLOW STATEMENT :

- The above Cash Flow Statement has been prepared under the indirect method set out in Accounting Standard 3 "Cash Flow Statement".
- Figures in brackets indicate cash outflow and without brackets indicate cash inflow.
- Cash & cash equivalents include unclaimed dividends accounts of Rs. 38.99 Lacs (Previous year Rs. 34.20 Lacs) which are not available for use by the Company.

As per our report of even date attached  
For S.P. Puri & Co.,  
Chartered Accountants  
FRN 001152 N

(Rajiv Puri - Partner)  
Membership No. 84318

Place : New Delhi  
Dated : 28th April, 2011

Sudhir Chopra - Company Secretary  
Rajiv Chanana - Chief Financial Officer

For and on behalf of the Board

Sunjay Kapur-Vice Chairman & Managing Director  
Prem Kumar Chadha - Director

In terms of general exemption granted by Ministry of Corporate Affairs vide General Circular Number 2/2011 dated 8th February, 2011, copy of Balance Sheets, Profit & Loss Accounts, report of Board of Directors and Auditors of the Subsidiary Companies have not been attached with the Balance Sheet of the Company. These documents will be made available upon request by any member of the Company interested in obtaining the same. However, as directed by the Central Government, the financial data of the Subsidiaries have been furnished as per the annexure given below under "Summarised Statement of Financials of Subsidiary Companies".

**SUMMARISED STATEMENT OF FINANCIALS OF SUBSIDIARY COMPANIES PURSUANT TO GENERAL EXEMPTION UNDER SECTION 212(8) OF THE COMPANIES ACT, 1956.**

(Rs./Lacs)

Sl. No.	Name of Subsidiary	Capital	Reserves	Total Assets	Total Liabilities	Detail of Investments	Turnover	Profit before Taxation	Provision for Taxation	Profit after Taxation	Proposed Dividend
1.	Sona Stampings Ltd. (w.e.f. 18/10/2007)	72.14	(61.65)	968.86	968.86	-	1061.55	(231.68)	(70.99)	(160.69)	-
2.	JTEKT SONA Automotive India Ltd. (w.e.f. 10/10/2007)	5669.00	922.95	24355.74	24355.74	-	22439.97	2032.70	1078.20	954.50	-
3.	Sona Fuji Kiko Automotive Ltd. (w.e.f. 22/11/2007)	1000.00	(72.63)	3673.77	3673.77	-	3167.23	114.12	37.80	76.32	-

Note : The above information has been drawn to co-relate with the Consolidated Financial Statements.

**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956, REALTING TO SUBSIDIARY COMPANIES**

Sl. No.	Particulars	Sona Stampings Ltd.	JTEKT SONA Automotive India Ltd.	Sona Fuji Kiko Automotive Ltd.
1.	The Financial Year of the subsidiary company ended on:	31.03.2011	31.03.2011	31.03.2011
2.	Number of shares in the subsidiary company held by Sona Koyo Steering Systems Limited at the above date	37142	27778094	5099993
	Extent of holding (%)	51.48%	49%	51%
3.	The net aggregate of profit/(loss) of the subsidiary company so far as these concern the members of Sona Koyo Steering Systems Limited.			
	i) dealt with in the Accounts of Sona Koyo Steering Systems Limited amounted to:			
	a) for subsidiary's Financial Year ended on 31st March, 2011	Nil	Nil	Nil
	b) for previous Financial Years of the subsidiary since it become subsidiary of Sona Koyo Steering Systems Limited.	Nil	Nil	Nil
	ii) not dealt with in the Accounts of Sona Koyo Steering Systems Limited amounted to:			
	a) for subsidiary's Financial Year ended on 31st March, 2011 (Rs./Lacs)	(160.69)	954.50	76.32
	b) for previous Financial Years of the subsidiary since it become subsidiary of Sona Koyo Steering Systems Limited. (Rs./Lacs)	(134.03)	(31.55)	(148.95)

For and on behalf of the Board

Place : New Delhi  
Dated : 28th April, 2011

Sudhir Chopra - Company Secretary  
Rajiv Chanana - Chief Financial Officer

Sunjay Kapur - Vice Chairman & Managing Director  
Prem Kumar Chadha - Director

## SONA KOYO STEERING SYSTEMS LIMITED

### BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

#### I. Registration Details

Registration No.

Balance Sheet Date

State Code

Date Month Year

#### II. Capital Raised during the year (Amount in Rs. Thousand)

Public issue

Bonus issue

Rights issue

Private issue

#### III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousand)

Total Liabilities

Total Assets

##### Sources of Funds

Paid up Capital

Deferred Tax Liability

Secured Loan

Reserves & Surplus

Unsecured Loan

##### Applications of Funds

Net Fixed Assets

Net Current Assets

Accumulated Losses

Investments

Misc. Expenditure

#### IV. Performance of Company (Amount in Rs. Thousand)

Total Income

Profit / (Loss) Before Tax

Earning Per Share in Rs.

Total Expenditure

Profit / (Loss) After Tax

Dividend Rate %

#### V. Generic Names of Three Principal Products of Company (as per monetary terms)

Item Code No.

Product Description

Item Code No.

Product Description

Item Code No.

Product Description

1-A078A00000

EPS Alto RHD

1-A061A00000

EPS Zen Estilo

1-A024900000

AXLE 8-SEATER

For S.P. Puri & Co.,  
Chartered Accountants  
FRN 001152 N

(Rajiv Puri - Partner)  
Membership No. 84318

Place : New Delhi  
Dated : 28th April, 2011

Sudhir Chopra - Company Secretary  
Rajiv Chanana - Chief Financial Officer

For and on behalf of the Board

Sunjay Kapur-Vice Chairman & Managing Director  
Prem Kumar Chadha - Director



## FINANCIAL STATISTICS

(IN US DOLLARS)

Year Ended	REVENUE ACCOUNT				CAPITAL ACCOUNT						
	Sales	Profit Before Taxes	Taxes	Dividend (Total)	Capital (Total)	Reserves	Borrowings	Gross Block	Earning Per Share	Dividend Per Share	Net Worth Per Share
	(US\$'000)				(US\$'000)				(US\$)		
31.03.2007	161542	9538	3180	1821	4236	26370	22002	53100	0.07	0.02	0.32
31.03.2008	207861	9910	3580	2045	4872	40718	46497	94114	0.07	0.02	0.47
31.03.2009	158522	(8871)	(2798)	0	3889	28729	46769	86573	(0.03)	0.00	0.21
31.03.2010	213342	7297	2506	1539	4399	35745	48500	101314	0.02	0.01	0.20
31.03.2011	256996	11487	3142	3349	4433	41021	47227	109869	0.04	0.01	0.23

Note : Rupee figures have been converted into US Dollars at the exchange rates prevailing at the end of each year.

## FUND FLOW - LAST FIVE YEARS

(US\$'000)

	2010-2011	2009-2010	2008-2009	2007-2008	2006-2007
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### SOURCES OF FUNDS

1. A. Increase in capital	-	-	95	232	2219
B. Premium on Share Capital	-	-	3088	7551	6566
2. Funds generated from operations					
A. Profit/(Loss) after Tax	8345	4791	(6073)	6330	6358
B. Depreciation	6346	5883	4880	4215	2851
C. Deferred Tax	1584	2451	(2929)	1442	366
3. Investment (Net)	1324	-	-	60	-
4. Borrowings	7402	21023	11191	41457	2982
5. Decrease in Working Capital	-	-	3384	-	2210
	<u>25001</u>	<u>34148</u>	<u>13636</u>	<u>61288</u>	<u>23553</u>

### APPLICATION OF FUNDS

1. Capital Expenditure	9351	4177	11552	33177	14493
2. Capital Redemption Reserve for Bonus Issue	-	-	-	-	2017
3. Dividends	3349	1539	-	2045	1821
4. Investments	554	2786	1448	5458	23
5. Increase in Working Capital	2693	225	-	1550	-
6. Repayment of Loan	9054	25421	636	19058	5199
	<u>25001</u>	<u>34148</u>	<u>13636</u>	<u>61288</u>	<u>23553</u>

Note : Rupee figures have been converted into US Dollars at the exchange rates prevailing at the end of each year.

# AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS  
SONA KOYO STEERING SYSTEMS LIMITED

We have audited the attached Consolidated Balance Sheet of **SONA KOYO STEERING SYSTEMS LIMITED** ('the Company') and its Subsidiaries and Joint Ventures (collectively referred to as 'the Group') as at 31<sup>st</sup> March, 2011, the consolidated Profit & Loss Account and the consolidated Cash Flow Statement for the year ended on that date, annexed thereto. These consolidated financial statements are the responsibility of the Company's Management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. We did not audit the financial statements of the Joint Ventures for the year ended 31<sup>st</sup> March, 2011, whose financial statements reflect total assets of Rs. NIL lacs (Previous Year Rs. 1077.49 lacs) as at 31<sup>st</sup> March, 2011, total revenue of Rs. 1621.41 lacs (Previous Year Rs. 513.46 lacs) and net cash flows from operating activities of Rs. 71.81 lacs (Previous Year Rs. (-) 292.19 lacs) for the year ended on that date. Attention is invited to Note No. 4 of consolidated Notes to Accounts (Schedule 19) regarding the Companies whose audited financial statements are not available and the impact of which is not likely to be material. We have relied upon the

unaudited financial statements as at 31<sup>st</sup> December, 2010 / upto date of disposal of investments provided by the management of these Companies for the purpose of our examination of consolidated financial statements.

2. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard 21 'Consolidated Financial Statements' and Accounting Standard 27 'Financial Reporting of interest in Joint Ventures', as notified by the Companies (Accounting Standard) Rules, 2006 and on the basis of separate audited financial statements of Sona Koyo Steering Systems Limited and its subsidiaries and joint ventures included in the consolidated financial statements.
3. On the basis of information and explanation given to us and on consideration of separate audit reports on individual audited financial statements of Sona Koyo Steering Systems Limited and its subsidiaries and unaudited financial statements and other relevant financial information of the joint ventures, in our opinion and to the best of our information and according to the explanations given to us, the said consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India :-
  - a) in the case of the consolidated Balance Sheet, of the consolidated state of affairs of the Group as at 31<sup>st</sup> March, 2011;
  - b) in the case of the consolidated Profit & Loss Account, of the consolidated results of operation of Group for the year ended on that date; and
  - c) in the case of consolidated Cash Flow Statement, of the consolidated cash flows of the Group for the year ended on that date.

For S.P. Puri & Co.,  
Chartered Accountants  
FRN 001152 N

Place : New Delhi  
Dated : 28<sup>th</sup> April, 2011

(Rajiv Puri - Partner)  
Membership No. 84318

## CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2011

Particulars	Schedule	As at 31st March, 2011 Rs./Lacs	As at 31st March, 2010 Rs./Lacs
<b>I. SOURCES OF FUNDS</b>			
<b>1. Shareholders' Fund</b>			
a) Share Capital	1	1987.42	1987.42
b) Reserves & Surplus	2	18576.59	15619.21
Minority Interest		3821.39	3375.17
<b>Sub-Total</b>		<b>24385.40</b>	<b>20981.80</b>
<b>2. Loan Funds</b>			
a) Secured Loans	3	23383.89	24378.99
b) Unsecured Loans	4	11020.35	8115.84
<b>Sub-Total</b>		<b>34404.24</b>	<b>32494.83</b>
<b>3. Deferred Tax Liability (Net)</b>	19(10)	3534.62	2064.22
<b>Total</b>		<b>62324.26</b>	<b>55540.85</b>
<b>II. APPLICATION OF FUNDS</b>			
<b>1. Fixed Assets</b>			
a) Gross Block	5	66330.31	60852.76
Less : Depreciation		19489.28	16089.42
Net Block		46841.03	44763.34
b) Capital Work In Progress		2396.65	1986.78
c) Expenditure Incurred During Construction Period (Pending Allocation)	5A	-	-
<b>2. Investments</b>	6	2952.10	3252.10
<b>3. Goodwill on Consolidation</b>		112.50	112.50
<b>Sub-Total</b>		<b>52302.28</b>	<b>50114.72</b>
<b>4. Current Assets, Loans and Advances</b>			
a) Inventories	7	7519.09	5084.25
b) Sundry Debtors	8	16517.47	9323.36
c) Cash & Bank Balances	9	1225.04	587.72
d) Other Current Assets	10	79.89	53.75
e) Loans & Advances	11	8786.41	6179.50
<b>Sub-Total</b>		<b>34127.90</b>	<b>21228.58</b>
<b>Less : Current Liabilities and Provisions</b>	12		
a) Current Liabilities		21737.06	14718.79
b) Provisions		2368.86	1083.66
<b>Sub-Total</b>		<b>24105.92</b>	<b>15802.45</b>
<b>Net Current Assets</b>		<b>10021.98</b>	<b>5426.13</b>
<b>Total</b>		<b>62324.26</b>	<b>55540.85</b>
Notes to the Accounts & Significant Accounting Policies	19		

The Schedules referred to above form an integral part of the Consolidated Balance Sheet.

As per our report of even date attached  
For S.P. Puri & Co.,  
Chartered Accountants  
FRN 001152 N

(Rajiv Puri - Partner)  
Membership No. 84318

Place : New Delhi  
Dated : 28th April, 2011

Sudhir Chopra - Company Secretary  
Rajiv Chanana - Chief Financial Officer

For and on behalf of the Board

Sunjay Kapur-Vice Chairman & Managing Director  
Prem Kumar Chadha - Director



## CONSOLIDATED PROFIT & LOSS ACCOUNT

### FOR THE YEAR ENDED 31ST MARCH, 2011

Particulars	Schedule	Year ended 31st March, 2011 Rs./Lacs	Year ended 31st March, 2010 Rs./Lacs
<b>INCOME</b>			
Gross Sales		134191.50	93156.17
[Including share of Joint Ventures Rs. 1583.43 Lacs (Previous Year Rs. 494.81 Lacs)]			
Less : Excise Duty		13854.22	7876.31
Net Sales		120337.28	85279.86
Other Income	13	1249.05	754.16
		<b>121586.33</b>	<b>86034.02</b>
<b>EXPENDITURE</b>			
Raw Materials and Components Cost	14	84551.77	63840.92
[Including share of Joint Ventures Rs. 1242.40 Lacs (Previous Year Rs. 418.51 Lacs)]			
Manufacturing Expenses	15	6739.84	3868.77
Employees' Remuneration and Benefits	16	8921.77	5904.87
Administrative, Selling & Other Expenses	17	5334.23	3246.39
Research & Development Expenses		235.08	154.76
Finance Charges	18	4664.60	3632.76
		<b>110447.29</b>	<b>80648.47</b>
Cash Profit		11139.04	5385.55
Depreciation & Amortisation		3773.73	2845.30
Consolidated Profit/(Loss) before Tax		7365.31	2540.25
Provision for Tax - Current Year		1475.08	592.87
[Including share of Joint Ventures Rs. 2.20 Lacs (Previous Year Rs. 0.98 Lacs)]			
Excess Provision for Tax of Earlier Years Written Back		(69.75)	-
Minimum Alternate Tax (MAT) Credit Entitlement		(419.98)	(566.90)
Increase/(Decrease) in Deferred Tax Liability		1470.40	937.03
Consolidated Profit / (Loss) after Tax		4909.56	1577.25
Add : Share of (Profit) / Loss Transferred to Minority		(446.23)	118.03
Consolidated Profits After Tax & Minority Interest		4463.33	1695.28
Balance brought forward from Previous Year		81.67	(758.68)
(Less) / Add : Prior Period Adjustments		-	40.33
Amount Available for Appropriation		4545.00	976.93
Proposed Dividend		1291.82	596.23
Tax on proposed Dividend		209.57	99.03
Transfer to General Reserve		400.00	200.00
Balance carried to Balance Sheet		<b>2643.61</b>	<b>81.67</b>
<b>EARNING PER SHARE</b>			
Basic and Diluted Earning Per Share (In Rs.)	19(11)	2.25	0.85
Notes to the Accounts & Significant Accounting Policies	19		

The Schedules referred to above form an integral part of the consolidated Profit & Loss Account

This is the Consolidated Profit & Loss Account referred to in our report of even date.

For S.P. Puri & Co.,  
Chartered Accountants  
FRN 001152 N

(Rajiv Puri - Partner)  
Membership No. 84318

Place : New Delhi  
Dated : 28th April, 2011

Sudhir Chopra - Company Secretary  
Rajiv Chanana - Chief Financial Officer

For and on behalf of the Board

Sunjay Kapur-Vice Chairman & Managing Director  
Prem Kumar Chadha - Director

## CONSOLIDATED SCHEDULES FORMING PART OF ACCOUNTS

31st March, 2011  
Rs./Lacs

31st March, 2010  
Rs./Lacs

### SCHEDULE — 1

#### SHARE CAPITAL

##### AUTHORISED

25,00,00,000 Equity Shares of Re. 1/- each

(Previous Year 25,00,00,000 Equity Shares of Re. 1/- each)

2500.00

2500.00

**2500.00**

**2500.00**

##### ISSUED, SUBSCRIBED AND PAID UP

19,87,41,832 Equity Shares of Re. 1/- each, fully paid up

(Previous Year 19,87,41,832 Equity Shares of Re. 1/- each, fully paid up)

1987.42

1987.42

Out of above :

Equity Shares Include 8,79,34,000 (Previous Year 8,79,34,000) of Re. 1/- each allotted as fully paid Bonus Shares by Capitalisation of Capital Redemption Reserve.

**1987.42**

**1987.42**

### SCHEDULE — 2

#### RESERVES & SURPLUS

Capital Reserve

0.44

0.44

(On account of reissue of forfeited Equity Shares)

Capital Redemption Reserve

120.66

120.66

Securities Premium Account

8921.17

8921.17

General Reserve

- As per Last Balance Sheet

6490.71

6287.18

- Add : Transferred from Consolidated Profit & Loss Account

400.00

200.00

- Add : Transferred from Minority Interest

-

6890.71

3.53

6490.71

Profit & Loss Account

- Balance as per Profit & Loss Account [Including Share of Joint Ventures Rs. Nil (Previous Year Rs. 242.90 Lacs)]

2643.61

81.67

**18576.59**

**15614.65**

Foreign Currency Translation Reserve

- Share of Joint Ventures

-

4.56

**18576.59**

**15619.21**

### SCHEDULE — 3

#### SECURED LOANS

Term Loans from Banks

21788.54

22701.63

Term Loans from Financial Institution

160.96

192.96

Term Loans from Others

875.31

974.49

Short Term Loans from Banks

515.25

435.60

Short Term Loans from Financial Institution

43.83

74.31

**23383.89**

**24378.99**

#### NOTES :

1. Term Loans from Banks include :

- Rupee Term Loans of Rs.17516 Lacs (Previous Year Rs. 19676.82 Lacs) are secured by first pari passu charge over the entire movable and immovable fixed assets of the company, both present and future, except the assets exclusively charged to Standard Chartered Bank for Rs. 389 Lacs (Previous Year Rs. 500 Lacs). Loans to the extent of Rs. 1995 Lacs (Previous Year Rs. 2100 Lacs) are further secured by way of second charge on current assets, on pari passu basis.
- Corporate Loan of Rs. 3000 Lacs (Previous Year Rs. 2250 Lacs) from State Bank of India is secured by way of first pari passu charge on Current Assets and second pari passu charge on movable and immovable fixed assets of the Company. The Loan is further secured by way of exclusive mortgage on Land situated at Plot No. 19, Dharuhera Industrial Area, Phase II, District Rewari (Haryana).
- Term Loan of Rs. 63.36 Lacs (Previous Year Nil) from Allahabad Bank is secured by way of exclusive charge on the vehicles financed out of the said Term Loan.



2. Term Loans from Financial Institution includes :  
Term Loan of Rs. 160.96 Lacs (Previous Year Rs. 192.96 Lacs) from SIDBI is secured by an exclusive first charge on the specific Plant & Machinery and equitable mortgage of the land.
  3. Term Loans from Others include :  
Term Loan of Rs.875 Lacs (Previous Year Rs. 972 Lacs) is secured by way of second charge on entire assets of the Company situated at Sanand, Gujarat to be purchased or constructed out of said Term Loan.
  4. a) The Short Term Loans from Banks are secured by hypothecation of inventories, book debts and other receivables both present & future & second pari passu charge on movable and immovable fixed assets of the Company.  
b) Short Term Loan from SIDBI is secured by hypothecation on whole of the current assets, both present and future, not limiting to all the stocks of raw material, WIP, semi finished goods, packing material, finished goods, stores and present and future books debts. This is further secured by way of extension of first charge by way of hypothecation of all the tangible movable machinery, present and future.
- Term Loans from Bank and other loans aggregating to Rs. 5223.63 Lacs (Previous Year Rs. 2660 Lacs) are repayable within one year.

**31st March, 2011**  
**Rs./Lacs**

31st March, 2010  
Rs./Lacs

## SCHEDULE — 4

### UNSECURED LOANS

Short Term Loans and Advance from Banks	<b>2669.12</b>	1500.00
Other Loans and Advances : From Bank	<b>8351.23</b>	6073.98
From Others	—	80.00
	<b>11020.35</b>	7653.98
Share in Joint Ventures	—	461.86
	<b>11020.35</b>	8115.84

1. Other Loans and Advances from Banks aggregating to Rs. 820 Lacs (Previous Year Rs. 410 Lacs) are repayable within one year. Other Loans & Advances from Banks include :
  - a) External Commercial Borrowings of Rs. 5711.23 Lacs (Previous Year Rs. 4023.98 Lacs) against Corporate Guarantee given by JTEKT Corporation, Japan.
  - b) Rupee Term Loan of Rs. 4390 Lacs (Previous Year Rs. 3550 Lacs) against Corporate Guarantee given by JTEKT Corporation, Japan.

## SCHEDULE — 5

### FIXED ASSETS

(Rs./Lacs)

Sl. No.	Particulars	Gross Block (At Cost)			Depreciation				Net Block		
		As at 01.04.10	Additions	Sales/ Disposal	As at 31.03.11	Upto 31.03.10	For the Year*	Written Back	As at 31.03.11	As at 31.03.11	As at 31.03.10
Tangible Assets											
1.	Freehold Land	3180.82	37.74	-	3218.56	-	-	-	-	3218.56	3180.82
2.	Lease Hold Land**	221.50	-	-	221.50	0.21	2.55	-	2.76	218.74	221.29
3.	Building	9776.83	356.09	-	10132.92	993.33	329.50	-	1322.83	8810.09	8783.50
4.	Lease Hold Improvements	19.51	-	-	19.51	0.33	3.90	-	4.23	15.28	19.18
5.	Plant & Machinery	38819.58	4895.00	333.98	43380.60	12104.81	2613.02	175.34	14542.49	28838.11	26714.77
6.	Jigs & Fixture	485.09	84.83	-	569.92	130.60	38.24	-	168.84	401.08	354.49
7.	Electric Installation	2301.92	238.84	-	2540.76	488.13	162.21	-	650.34	1890.42	1813.79
8.	Furniture & Fixture	800.01	40.50	38.49	802.02	354.00	48.25	34.94	367.31	434.71	446.00
9.	Office Equipment	2379.46	156.07	56.91	2478.62	1357.40	172.29	39.36	1490.33	988.29	1022.06
10.	Vehicles	257.60	161.47	45.27	373.80	98.25	34.58	20.61	112.22	261.58	159.36
11.	R&D-Plant & Machinery	439.56	-	-	439.56	79.54	24.02	-	103.56	336.00	360.02
12.	R&D-Computers	88.34	-	-	88.34	70.54	13.21	-	83.75	4.59	17.80
Intangible Assets											
1.	R&D-Computer Softwares	55.73	-	-	55.73	28.31	7.62	-	35.93	19.80	27.42
2.	Software Others	73.94	81.62	-	155.56	17.83	14.51	-	32.34	123.22	56.11
3.	New Product Development Cost	1173.74	679.17	-	1852.91	336.39	235.96	-	572.35	1280.56	837.35
Total		60073.63	6731.33	474.65	66330.31	16059.67	3699.86	270.25	19489.28	46841.03	44013.96
Share in Joint Ventures		779.13	-	779.13	-	29.75	73.87	103.62	-	-	749.38
Grand Total		60852.76	6731.33	1253.78	66330.31	16089.42	3773.73	373.87	19489.28	46841.03	44763.34
Grand Total (Previous Year)		45978.50	15329.51	455.25	60852.76	13550.53	2927.74	388.85	16089.42	44763.34	

Capital Work In Progress Including Advances- Tangible Assets	<b>6.62</b>	1145.97
Capital Work In Progress Including Advances - Intangible Assets	<b>2390.03</b>	840.81
	<b>2396.65</b>	1986.78

\* Includes Depreciation of Nil (Previous Year Rs. 82.44 Lacs) taken and shown in expenditure incurred during construction period pending allocation.

\*\* Leasehold land includes Rs. 221.50 Lacs (Previous Year Rs. 221.50 Lacs) in respect of which lease deed is pending for execution.



31st March, 2011  
Rs./Lacs

31st March, 2010  
Rs./Lacs

## SCHEDULE — 5A

### EXPENDITURE INCURRED DURING CONSTRUCTION PERIOD (Pending Allocation)

Opening Balances	-		571.37
Raw Material Consumption	-		241.39
Manufacturing Expenses	-		30.01
Bank Charges	-		19.24
Brokerage and Commission	-		-
Depreciation	-		82.42
Miscellaneous Expenses	-		6.25
Administrative & Other Miscellaneous Expenses	-		10.88
Foreign Travel	-		-
Filing Fees	-		-
Lease Rent	-		41.89
Travelling, Conveyance & Vehicle Expenses	-		183.33
Legal & Professional Charges	-		35.53
Meeting & Conference Expenses	-		-
Printing & Stationery	-		31.22
Salaries & Allowances	-		334.89
Contribution to Provident & Other Funds	-		26.74
Employee Welfare Expenses	-		27.15
Business Promotion	-		4.50
Insurance	-		11.69
Interest on Loan	-		270.97
Security Expenses	-		12.28
Other Repairs & Maintenance	-		35.54
Forwarding Expenses	-		10.38
Rates & Taxes	-		21.68
Freight & Octroi Charges	-		17.56
Power & Fuel	-		88.33
Donation	-		5.02
Sample Expenses	-		-
Audit Fee	-		0.24
Total Expenses	-		2120.50
Less : Interest received from Bank	-	(0.46)	
[TDS Deducted Nil (Previous Year Rs. 0.10 Lacs)]			
Less : Other Income	-	(252.81)	(253.27)
			1867.23
Add : Provision for Income Tax	-		-
Add : Provision for FBT	-		0.03
Share in Joint Ventures	-		-
Less : Capitalised / Allocated during the Year	-		1864.76
			2.50
Less : Share in Joint Venture - Written off during the Year	-		2.50
			-
			-

## SCHEDULE — 6

### INVESTMENTS

#### LONG TERM (Valued At Cost)

UNQUOTED, FULLY PAID UP :

In Trade Investments :

i) 1,33,334 Equity Shares (Previous Year 1,33,334) of Rs. 10/- each, in Roop Automotive Ltd.	20.00	20.00
ii) 49,29,636 Equity Shares (Previous Year 49,29,636) of Euro 1 each, in Fuji Autotech Europe S.A.S. (Incorporated in France)	2932.10	2932.10
iii) Nil Equity Shares (Previous Year 30,00,000) of Rs. 10/- each, in Sona Mobility Services Ltd. (sold during the year)	-	300.00
	2952.10	3252.10

31st March, 2011

31st March, 2010

Rs./Lacs

Rs./Lacs

## SCHEDULE — 7

### INVENTORIES

(At cost or net realisable value, whichever is lower)

Stores and Spare Parts	769.34	444.16
Raw Materials and Components*	4065.40	2751.39
Work-in-process	1597.86	502.50
Finished Goods**	538.48	470.22
Tools	548.01	842.20
Sub Total	7519.09	5010.47
Share in Joint Ventures	-	73.78
	<u>7519.09</u>	<u>5084.25</u>

\* Includes material in transit Rs. 158.85 Lacs (Previous Year Rs. 26.61 Lacs)

\*\* Includes goods in transit Rs. 77.97 Lacs (Previous Year Rs. 60.88 Lacs)

## SCHEDULE — 8

### SUNDRY DEBTORS

(Unsecured, considered good)

Debts outstanding for a period exceeding six months

Other Debts	91.89	104.32
	16425.58	9065.01
	16517.47	9169.33
Share in Joint Ventures	-	154.03
	<u>16517.47</u>	<u>9323.36</u>

## SCHEDULE — 9

### CASH AND BANK BALANCES

Cash and Cheques in hand	13.47	12.13
Balances with Scheduled Banks		
- in Current Accounts with Scheduled Banks	404.20	514.65
- in Current Accounts with Other Banks*	601.75	1.57
- in Fixed Deposit Accounts	205.62	0.40
	1225.04	528.75
Share in Joint Ventures	-	58.97
	<u>1225.04</u>	<u>587.72</u>

\* Includes balance of Rs. 601.75 Lacs (Previous Year Rs. 1.57 Lacs) with non scheduled bank - Bank of Tokyo Mitsubishi UFG Japan [(Max. balance at any time during the year of Rs. 1151.79 Lacs (Previous Year Rs. 2771.91 Lacs)]

## SCHEDULE — 10

### OTHER CURRENT ASSETS

(Unsecured, considered good)

Claims Receivable	79.89	53.75
	<u>79.89</u>	<u>53.75</u>

31st March, 2011  
Rs./Lacs

31st March, 2010  
Rs./Lacs

## SCHEDULE — 11

### LOANS AND ADVANCES

(Unsecured, considered good unless otherwise stated)

Advances recoverable in cash or in kind or for value to be received

- Considered good	4053.85	1593.89
- Considered doubtful	-	19.61
	<b>4053.85</b>	1613.50
Less : Provision for Doubtful Advances	-	19.61
	<b>4053.85</b>	1593.89

Security Deposits	473.10	442.86
Balance with Excise and Port Trust Authorities	3280.89	3370.13
Advance payment against Income Tax [(Net of Provisions of Rs.2392.42 Lacs (Previous Year of Rs. 6244.49 Lacs)]	19.00	164.39
Minimum Alternate Tax (MAT) Credit Entitlement	959.57	566.90
	<b>8786.41</b>	6138.17
Share in Joint Ventures	-	41.33
	<b>8786.41</b>	6179.50

## SCHEDULE — 12

### CURRENT LIABILITIES AND PROVISIONS

#### A. CURRENT LIABILITIES

Sundry Creditors		
- Due to Micro & Small Enterprises	27.26	37.86
- Due to Others	19651.64	13527.10
- Unclaimed Dividends*	38.99	34.20
- Advance from Customers	-	0.01
Other Liabilities	1974.75	908.58
Interest Accrued but not due on Loans	44.42	18.14
	<b>21737.06</b>	14525.89
Share in Joint Ventures	-	192.90
	<b>21737.06</b>	14718.79

\* There is no amount due and outstanding to be credited to Investor Education & Protection Fund

#### B. PROVISIONS

Proposed Dividend	1291.82	596.23
Corporate Dividend Tax	209.57	99.03
Gratuity	11.52	9.04
Leave Encashment	417.56	273.57
Warranty	153.32	97.69
Income Tax [(Net of Advance Payment of Income Tax of Rs. 145.26 Lacs (Previous Year of Rs. 16.45 Lacs)]	285.07	5.16
	<b>2368.86</b>	1080.72
Share in Joint Ventures	-	2.94
	<b>2368.86</b>	1083.66



31st March, 2011  
Rs./Lacs

31st March, 2010  
Rs./Lacs

## SCHEDULE — 13

### OTHER INCOME

Lease Rental Income	0.70	-
Income from Sale of Scrap	322.75	252.87
Dividend from Long Term Trade Investments	7.00	7.00
Interest Income	24.37	67.39
(TDS Deducted Rs. 1.18 Lacs - Previous Year Rs. 2.82 Lacs)		
Miscellaneous Income	284.44	101.67
Exchange gain on Foreign Currency Loan	-	304.86
Job Work Income	-	1.72
Profit on Sale of Long Term Investments (Net)	579.34	-
	<b>1218.60</b>	<b>735.51</b>
Share in Joint Ventures	30.45	18.65
	<b>1249.05</b>	<b>754.16</b>

## SCHEDULE — 14

### RAW MATERIAL AND COMPONENTS COST

#### TRADING

Opening Stock	3.83	-
Add: Purchase of Finished Goods	946.07	521.40
Less: Closing Stock	9.55	-
	<b>940.35</b>	<b>521.40</b>

#### MANUFACTURING

Raw Material and Components Cost	<b>83524.58</b>	<b>63228.11</b>
----------------------------------	-----------------	-----------------

#### (INCREASE)/DECREASE IN STOCK OF FINISHED GOODS AND WORK IN PROCESS

##### INVENTORY as at 31.03.2010

Finished Goods	470.22	165.43
Work-in-process	502.50	410.92
Stock of Scrap	-	2.00
	<b>972.72</b>	<b>578.35</b>

##### INVENTORY as at 31.03.2011

Finished Goods	538.48	470.22
Work-in-process	1597.86	502.50
Stock of Scrap	-	-
	<b>2136.34</b>	<b>972.72</b>

(1163.62) (394.37)

Share in Joint Ventures

- 41.56

(Increase) / Decrease in Stock

(1163.62) (352.81)

Excise Duty on (Increase) / Decrease in Finished Goods  
(Refer Note No. 15 of Schedule 19)

8.06 25.71

**83309.37** **63422.41**

Share in Joint Ventures

**1242.40** **418.51**

**84551.77** **63840.92**

## SCHEDULE — 15

### MANUFACTURING EXPENSES

Stores and spare parts consumed	1606.48	944.13
Loose tools consumed	723.93	541.28
Power and fuel	1857.64	1216.57
Freight & Octroi charges	898.34	390.97
Machine repairs and maintenance	618.28	326.40
Royalty	889.10	374.07
Job Work	58.42	18.70
Testing Charges	2.91	0.96
	<b>6655.10</b>	<b>3813.08</b>
Share in Joint Ventures	84.74	55.69
	<b>6739.84</b>	<b>3868.77</b>

31st March, 2011  
Rs./Lacs

31st March, 2010  
Rs./Lacs

## SCHEDULE — 16

### EMPLOYEES' REMUNERATION AND BENEFITS

Salaries, wages and allowances	7081.92	4656.84
Contribution to Provident and other Funds	568.74	498.02
Employees' welfare expenses	1192.34	679.93
	8843.00	5834.79
Share in Joint Ventures	78.77	70.08
	8921.77	5904.87

## SCHEDULE — 17

### ADMINISTRATIVE, SELLING AND OTHER EXPENSES

Rent	230.18	100.21
Rates and taxes	97.28	32.25
Insurance	46.63	39.89
Building repairs and maintenance	45.94	41.43
Other repairs and maintenance	275.56	207.29
Travelling, Conveyance and Vehicle Expenses	914.78	462.69
Communication & Stationery Expenses	232.69	153.42
Legal & Professional Charges	675.18	484.11
Security Charges	132.97	94.27
Business Promotion	126.92	47.97
Forwarding Expenses	2024.45	1018.29
Directors' Sitting Fees	10.60	6.85
Exchange Loss on Foreign Currency (net)	86.07	-
Provision for doubtful advances	-	19.61
Bad Debts/Advances Written off	19.61	-
Less: Written off against Provision	19.61	-
Loss on Disposal of Fixed Assets	21.88	23.85
Miscellaneous Expenses	327.15	444.20
<u>Auditors' Remuneration</u>		
Audit Fee	14.35	11.28
Fee for other services (i) Taxation Matters	7.45	3.46
(ii) Limited Review & Consolidation	6.25	5.00
(iii) Certifications	2.41	0.91
	5278.74	3196.98
Share in Joint Ventures	55.49	49.41
	5334.23	3246.39

## SCHEDULE — 18

### FINANCE CHARGES

Interest on fixed loans	3311.87	2603.55
Other interest	35.23	66.50
Bank and other finance charges	303.59	472.23
Exchange Loss on ECB Loans	537.25	-
Cash discount	388.46	397.51
	4576.40	3539.79
Share in Joint Ventures	88.20	92.97
	4664.60	3632.76



## SCHEDULE – 19

### NOTES TO THE ACCOUNTS

#### 1. SIGNIFICANT ACCOUNTING POLICIES

##### I. Group Companies :

Sona Koyo Steering Systems Limited has consolidated the financial statements of three Subsidiaries and three Joint Venture Companies as given in Table below:

Sl.No.	Name of Company	Relationship	Country of Incorporation	% of ownership interest as on 31st March, 2011
1.	Sona Fuji Kiko Automotive Ltd.	Subsidiary	India	51
2.	JTEKT SONA Automotive India Ltd.	Subsidiary	India	49*
3.	Sona Stampings Ltd.	Subsidiary	India	51.48
4.	Sona Autocomp Europe SARL	Joint Venture	France	24 (up to 24/03/11)
5.	Sona Autocomp Inc. USA	Joint Venture	USA	24 (up to 31/12/10)
6.	AAM Sona Axle Pvt. Ltd.	Joint Venture	India	30 (up to 15/12/10)

\*Subsidiary due to control of the composition of the Board of Directors.

The Joint Venture enterprises referred above were sold during the year.

##### II. Accounting Convention :

The financial statements have been prepared on historical cost basis and in accordance with the applicable accounting standards and other applicable relevant statutes. A summary of important accounting policies is set out below.

##### III. Basis for preparation and principal of consolidation :

The consolidated financial statements of the Group have been prepared and presented under the historical cost convention on an accrual basis. The Financial statements of the parent company and the subsidiaries have been combined on a line to line basis by adding together the book values of like items of assets and liabilities, income and expenses after eliminating intra group balances/transactions in full as per Accounting Standard-21 on "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India. The Financial Statements of the Joint Venture Companies over which the Company exercises joint control are accounted for using proportionate consolidation method as per Accounting Standard 27 on "Financial Reporting of Interests in Joint Ventures" issued by the Institute of Chartered Accountants of India. All unrealised surplus and deficits on transactions between the group companies are eliminated. Entities sold during the year have been consolidated upto respective date of their disposal. Accounting policies between group companies are consistent to the extent practicable. Appropriate disclosure is made of significant deviations from the company accounting policies, which have not been adjusted.

##### IV. Goodwill :

Goodwill arising on acquisition is tested for impairment on each Balance Sheet date.

##### V. The transactions of Sona Autocomp Inc., USA, are not significant and variance in accounting policies, if any, may not materially vary these consolidated financial statements.

##### VI. Other Significant Accounting Policies :

Significant accounting policies followed by Sona Koyo Steering Systems Ltd. are annexed to the independent non-consolidated financial statements. The accounting policy of the joint ventures and subsidiaries are not in major variance.

##### - Use of Estimates :

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

##### - Fixed Assets and Depreciation :

Fixed Assets are stated at cost of acquisition or construction less accumulated depreciation. Cost comprises of the purchase price, incidental expenses, erection/commissioning expenses and financial charges upto the date the fixed asset is ready for its intended use.

The Group provides depreciation on fixed assets on the straight-line method at the rates specified in Schedule XIV to the Companies Act, 1956 on a pro-rata basis from the month in which the asset is put to use, except as stated below :

- Leasehold improvements are depreciated at the rate of 20% per annum or over the period of lease if less than five years.
- Assets situated at employees' residence are depreciated at the rate of 33.33% per annum.
- Vehicles are depreciated at the rate of 12% per annum from April, 2003.



- The Foreign Joint Venture Companies provide depreciation based on useful life of assets as per local regulations.

An asset is treated as impaired when the carrying cost of assets exceeds its recoverable value. An impairment loss is charged to the Profit & Loss Account in the year in which an asset is identified as impaired. The impairment loss recognised in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

- **Intangible Assets and Amortization thereof :**

Intangible assets comprise new product development expenses and computer software and are stated at cost less accumulated amortization and impairment losses, if any.

Product development costs incurred including technical fees paid to collaborator for the development of new products for which letters of intent have been received from customers are accumulated & recognised as intangible assets (included under fixed assets) and are amortised over a period of six years. Un-amortised products development fee in respect of models discontinued during the year is fully charged off in Profit & Loss Account.

Software, which is not an integral part of the related computer hardware is classified as an intangible asset and is being amortised over a period of 72 months, being the estimated useful life.

Amortisation expenses is charged on a pro-rata basis for assets purchased during the year. The appropriateness of the amortisation period and the amortisation method is reviewed at each financial year end.

- **Operating Lease :**

Lease arrangements, where the risks and rewards incidental to ownership of an asset substantially vest with the lessor, are recognised as operating lease.

Operating lease payments are recognised as an expense in the Profit & Loss Account on a straight line basis over the lease term.

- **Investments :**

Long term investments are valued at their acquisition cost. Provision for diminution, other than temporary, is made wherever necessary.

- **Inventory Valuation :**

a) Stores and spare parts are valued at lower of weighted average cost and net realisable value.

b) All tools (including loose tools) are written off over their useful life and un-issued tools are valued at lower of weighted average cost and market value.

c) Raw materials and Components and Work-in-Process are valued at lower of weighted average cost and net realisable value.

d) Finished Goods are valued at lower of weighted average cost and net realisable value.

Finished Goods and Work in Process include costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

- **Foreign Currency Transactions :**

Foreign currency transactions are recorded on the basis of average of the exchange rates in force during the relevant week of each month. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the Profit & Loss Account. In case of transaction covered by forward contracts, the difference between the contract rate and exchange rate prevailing on the date of transaction is charged to Profit & Loss Account, proportionately over the contract period. All assets and liabilities denominated in foreign currency are restated at relevant year end rates.

Foreign Joint Venture Companies are not considered as an integral part of the operation of the parent company hence all monetary and non monetary assets and liabilities have been translated at exchange rate prevailing at the closing date of Joint Venture Companies' financial year. Income and expenditure have been translated at quarterly average rate of exchange prevailing for the Joint Ventures Companies' financial year. Translation losses and gains on the above are carried to "Foreign Currency Translation Reserve" for future adjustments on disposal of that entity.

- **Excise :**

Excise duty on finished goods manufactured is accounted on the basis of production of goods.

- **Research & Development :**

a) Capital Expenditure for Research & Development is capitalised in the year of installation.

b) Revenue expenses incurred for Research & Development for existing products are charged to Profit & Loss Account of the year.

- **Income :**

Revenue recognition - Revenue from domestic and export sales are recognised on transfer of all significant risks and rewards or ownership to the buyer, which generally coincides with dispatch of goods from factory/port respectively.

Price escalation claims from customers and discounts from suppliers are accounted in the year under audit, only if they are settled with the customers and suppliers respectively up to the date of finalisation of accounts.

Dividend on investment is accounted in the year in which it is declared.

All export benefits are recognised as income when there is substantial certainty as their realisability e.g.

a) DEPB license and FPS are recognized as income on the relevant application being filed.

b) Duty draw back is accounted in the year of export.

**- Expenses :**

a) Discounts to customers and price escalation to suppliers to the extent not settled at the Balance Sheet date are accounted on the basis of reasonable estimates made after considering negotiations with vendors/ customers.

b) Jigs and fixtures costing less than Rs. 5,000/- each are written off in the year of purchase.

c) Goods received are accounted as purchases on satisfactory completion of inspection.

**- Borrowing Cost :**

Borrowing costs on loans relatable to qualifying assets are capitalized to the extent incurred prior to these assets being put to use. Other borrowing costs are written off in the year to which they pertain.

**- Employees' Benefits :**

a) Provident Fund

Contributions to defined contribution schemes such as Provident Fund, etc. are charged to the Profit & Loss Account as incurred. In respect of certain employees, Provident Fund contributions are made to a Trust administered by the Company. The interest rate payable to the members of the Trust shall not be lower than the statutory rate of interest declared by the Central Government under the Employees Provident Funds and Miscellaneous Provisions Act, 1952 and shortfall, if any, shall be made good by the Company. The remaining contributions are made to a government administered Provident Fund towards which the Company has no further obligations beyond its monthly contributions.

b) Gratuity

The obligation towards gratuity is a defined benefit retirement plan covering eligible employees. The Employee Gratuity Fund is managed by Insurance Institutions. The liability of Gratuity Benefits payable in future is accounted or provided based on an independent actuarial valuation.

c) Leave Encashment

The encashment of leave with pay is provided subject to certain rules for certain grade of employees. The eligible employees are entitled to accumulate leave subject to certain limits, for future encashment/availment. The liability is provided based on the number of days of unutilized leave at each balance sheet date on the basis of an independent actuarial valuation.

d) Termination Benefits

Termination benefits are recognised as an expense as and when incurred or only when the obligation can be reliably estimated.

**- Taxation :**

Taxes on income for the current year are determined on the basis of provisions of Income Tax Act.

Deferred Tax is recognised on timing differences between the accounting income and the taxable income for the year and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date.

Deferred Tax assets are recognised and carried forward to the extent that there is a virtual certainty that sufficient future taxable income will be available against which such deferred tax asset can be realised.

**- Contingencies :**

Loss contingencies arising from claims, litigations, assessments, fines, penalties, etc., are recorded when it is probable that a liability will be incurred, and the amount can be reasonably estimated.

Warranty cost is provided on the basis of cost of warranty claims received from the customers and a reasonable estimate for future claims is made based on empirical data.

**- Earning Per Share :**

Annualised basic earning per Equity Share is arrived at based on net profit/(loss) after taxation to the basic/ weighted average number of equity shares.



	Current Year Rs./Lacs	Previous Year Rs./Lacs
<b>2. Capital Commitment :</b>		
Estimated amount of contracts remaining to be executed on capital account not provided for	<b>2341.84</b>	1869.25
<b>3. Contingent Liabilities :</b>		
I. Claims against the Group not acknowledged as debt on account of		
a) Excise Duty	<b>1322.54</b>	847.36
b) Service Tax	<b>341.88</b>	299.22
c) Local Area Development Tax (LADT)	<b>209.16</b>	0.00
d) Income Tax - Matters in Appeal	<b>56.81</b>	83.96
e) Warranties/Customers	<b>67.25</b>	22.11
II. Customer Bills Discounted	<b>910.00</b>	0.00
III. Letter of credit opened by banks for purchase of inventory/capital goods	<b>1015.32</b>	1324.51
<b>4.</b>		
The Profit/Loss after tax of Joint Venture Companies namely Sona Autocomp Inc., USA and AAM Sona Axle Pvt. Ltd. has been based on unaudited financial statement upto the respective date of their disposal and for Sona Autocomp Europe SARL has been based on the unaudited financial statement ended 31st December, 2010. It is unlikely that the audited results would be materially different from the unaudited results. There are no material transaction from 1st January, 2011 to 24th March, 2011 in respect of Joint Venture Company Sona Autocomp Europe SARL. There is no change in Company's interest in aforesaid Joint Venture from 1st January, 2011 to 24th March, 2011 (Date of disposal).		
As a result of disposal of investment in the Joint Venture enterprises a profit of Rs. 871.85 Lacs on the net asset value has been recognised in the consolidated financial statements.		
<b>5. Fixed Assets / Capital work in progress during the year includes:</b>		
a) Technical Know-how Fees	<b>491.57</b>	169.79
b) Professional Charges / Technical Support Services	<b>23.18</b>	8.53
c) Development Expenses	<b>0.00</b>	70.24
d) Components, Tools & Spares	<b>477.84</b>	204.24
e) Travelling Expenses	<b>43.65</b>	17.64
f) Interest & Bank Charges	<b>114.03</b>	0.00
g) Others	<b>1.90</b>	33.95
h) Salary	<b>51.32</b>	4.18
i) Training	<b>0.00</b>	0.00
TOTAL	<b><u>1203.49</u></b>	<b><u>508.57</u></b>

Note - Excluding figures reported in Schedule 5A.

<b>6. Defined Benefit Plans :</b>		
i) The group has recognised, in the Profit & Loss Account for the year ended March 31, 2011 and an amount of Rs. 478.43 Lacs (Previous Year Rs. 336.70 Lacs) expenses under defined contribution plans. Contribution to defined contribution plans include :		
a) Provident Fund	<b>340.54</b>	241.94
b) Superannuation Fund	<b>105.05</b>	83.44
c) Employee State Insurance Corporation	<b>32.84</b>	11.32
	<b><u>478.43</u></b>	<b><u>336.70</u></b>

The expense is disclosed in the line item - Contribution to provident and other funds in Schedule 16.

- ii) The group operates post retirement defined benefit plan for retirement gratuity, which is funded.  
iii) Detail of the post retirement funded Gratuity plan and Leaves, which is unfunded, are as follows :



	Gratuity (Funded)		Leaves (Unfunded)	
	Current Year (Rs./ Lacs)	Previous Year (Rs./ Lacs)	Current Year (Rs./ Lacs)	Previous Year (Rs./ Lacs)
1. Reconciliation of opening and closing balances of obligations:				
a) Obligation as at April 1, 2010	<b>716.12</b>	691.88	<b>273.58</b>	74.31
b) Current Service Cost	<b>82.18</b>	66.66	<b>101.62</b>	161.82
c) Interest Cost	<b>57.28</b>	51.90	<b>21.84</b>	5.26
d) Actuarial (Gain) / Loss	<b>121.61</b>	(64.11)	<b>70.25</b>	81.64
e) Benefits paid	<b>(41.77)</b>	(30.23)	<b>(49.71)</b>	(49.46)
f) Obligation as at March 31, 2011	<b>935.42</b>	716.10	<b>417.58</b>	273.57
2. Change in Plan Assets (Reconciliation of opening and closing balances):				
a) Fair Value of Plan Assets as at April 1, 2010	<b>866.01</b>	682.69	<b>0.00</b>	0.00
b) Prior Period Adjustment	<b>0.00</b>	0.00	<b>0.00</b>	0.00
c) Expected return on Plan Asset	<b>81.99</b>	63.68	<b>0.00</b>	0.00
d) Contributions	<b>43.09</b>	143.63	<b>0.00</b>	0.00
e) Benefits paid	<b>(41.77)</b>	(30.23)	<b>0.00</b>	0.00
f) Actuarial Gain / (Loss) on Plan Assets	<b>(0.03)</b>	6.24	<b>0.00</b>	0.00
g) Fair Value of Plan Assets as at March 31, 2011	<b>949.29</b>	866.01	<b>0.00</b>	0.00
3. Reconciliation of fair value of assets and obligations:				
a) Present value of obligation as at March 31, 2011	<b>935.42</b>	716.10	<b>417.58</b>	273.57
b) Fair Value of Plan Assets as at March 31, 2011	<b>(949.29)</b>	(866.01)	<b>0.00</b>	0.00
c) Unfunded amount recognised in the Balance Sheet	<b>(13.87)</b>	(149.91)	<b>417.58</b>	273.57
4. Expense recognised during the year:				
a) Current Service Cost	<b>82.18</b>	66.66	<b>101.62</b>	161.82
b) Interest Cost	<b>57.28</b>	51.90	<b>21.84</b>	5.26
c) Expected return on Plan Assets	<b>(81.99)</b>	(63.68)	<b>0.00</b>	0.00
d) Actuarial (Gain) / Loss	<b>121.64</b>	(70.35)	<b>70.25</b>	81.64
e) Expenses recognised during the year	<b>179.11</b>	(15.47)	<b>193.71</b>	248.72
5. Assumptions:				
a) Discount Rate (per annum)	<b>8% to 8.5%</b>			
b) Expected rate of return on Plan Assets (per annum)	<b>7.5% to 9.4%</b>			
c) Rate of increase in compensation level (per annum)	<b>5% to 10%</b>			

The estimates of future salary increase, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors including supply and demand in the employment market.

The discount rate is based on the prevailing market yields of Government Bonds as at the date of valuation.

The expected return on assets over the accounting period is based on an assumed rate of return.

iv) Investment detail of plan assets

The Gratuity Trust has taken up a group policy with Life Insurance Corporation of India.

7. Forward Contracts outstanding and un-hedged Foreign Currencies exposures are as given below :

The Group uses foreign exchange forward contracts to hedge its exposure to movements in foreign exchange rates. These foreign exchange contracts are not used for trading or speculation purposes.

The Group has a risk of Foreign Currency exposure on the following derivative Instruments that are outstanding at the year end:

Nature of Contracts	Current Year		Previous Year	
	Number of Contracts	Foreign Currency Amount (In Lacs)	Number of Contracts	Foreign Currency Amount (In Lacs)
Forward Contracts (JPY)	<b>34</b>	<b>3729.14</b>	48	10403.81
Rupee Equivalent Value	-	<b>2026.04</b>	-	5059.37
Forward Contracts (USD)	-	-	5	6.78
Rupee Equivalent Value	-	-	-	306.32

## Un-hedged Foreign Currency Exposure

	Current Year (Amount in Lacs)				Previous Year (Amount in Lacs)			
	CHF	EURO	USD	YEN	CHF	EURO	USD	YEN
Creditors	1.15	0.20	41.41	7125.06	-	0.2	23.04	1133.69
Rupee Equivalent Value	56.57	12.78	1856.19	3871.06	-	12.20	1040.64	551.43
Debtors & Loans & Advances	-	12.39	28.71	10547.37	-	5.88	16.73	8430.44
Rupee Equivalent Value	-	780.2	1274.93	5730.07	-	353.51	767.06	4034.81

8. Expenditure on account of Premium on forward exchange contracts to be recognised in the Profit & Loss Account of subsequent accounting period aggregates to Rs. 60.21 Lacs (Previous Year Rs. 68.52 Lacs).
9. The Group is primarily engaged in the business of auto components of four wheelers, which are governed by the same set of risk and returns, and hence there is only one primary segment. The Group operates mainly to the needs of domestic market and export turnover is less than ten percent of the total turnover and hence there are no reportable secondary geographical segments.
10. Deferred Tax Liability (Net) of Rs. 3534.62 Lacs (Previous Year Rs. 2064.22 Lacs) as shown in the Balance Sheet consist of:

	Current Year (Rs./Lacs)	Previous Year (Rs./Lacs)
A. Deferred tax liability representing tax arising out of timing difference on account of		
(i) Depreciation	4056.26	3553.74
(ii) Deferred Revenue Expenditure	0.00	0.00
(iii) Custom Duty & Excise Duty	12.26	29.43
	<u>4068.52</u>	<u>3583.17</u>
B. Deferred tax asset representing future tax benefit on		
(i) Leave encashment Provision	218.68	121.89
(ii) Others	0.10	39.04
(iii) Gratuity	2.15	1.31
(iv) Unabsorbed Depreciation and Business Loss	312.97	1356.71
	<u>533.90</u>	<u>1518.95</u>
Net Deferred Tax Liability (A-B)	<u>3534.62</u>	<u>2064.22</u>

The Deferred Tax Asset on Unabsorbed Depreciation and Business Loss has been recognised based on the profits as per the Letter of Intent in hand from customers.

## 11. Earning Per Share (EPS) :

- Net Profit after Tax		4463.33	1695.28
- Profit/(Loss) attributable to the Equity Shareholders (A)		4463.33	1695.28
- Basic/Weighted Average number of Equity Shares (B) outstanding during the year (Nos.)		198,741,832	198,741,832
- Nominal Value of Equity Shares (In Rs.)		1.00	1.00
- Basic and Diluted Earnings Per Share (In Rs.) (A/B)		2.25	0.85

## 12. Operating Lease :

The Group has taken various residential, vehicle and office premises under operating lease or licence agreements. These are cancelable, have a term of 11 months and five years. The agreements for premises cannot be terminated by either party before the expiry of one year. Agreements for leasing of vehicles can generally be terminated early by payment of nominal fees. The lease arrangements are generally renewable on the expiry of lease period subject to mutual agreement. Lease payments are recognised in the Profit & Loss Account in the year incurred.

The Company has taken cars for its employees under operating lease agreement. An amount of Rs. 68.18 Lacs (Previous Year Rs. 74.82 Lacs) is recognised as lease expenses in the Profit & Loss Account for the year ended March 31, 2011. The future lease payment under leases are:

- (i) upto 1 year Rs. 76.01 Lacs (Previous Year Rs. 58.92 Lacs)
- (ii) between 1 to 5 years Rs. 98.55 Lacs (Previous Year Rs. 69.72 Lacs)

## 13. Provision for warranty account details as required by AS-29 (Rs./Lacs)

Description	Current Year	Previous Year
Opening Balance	97.69	94.12
Add: Addition During the Year	55.64	3.57
Closing Balance	153.33	97.69

The warranty expenses of Rs. 196.58 Lacs (Previous Year Rs. 121.58 Lacs) are charged off to Profit & Loss Account included under the head Forwarding Expenses (Schedule 17).



#### 14.(a) Related Party Disclosures (Transactions with Related Parties)

(Rs./Lacs)

	SIGNIFICANT CONTROL (1)	SUBSTANTIAL INTEREST (2)	JOINT VENTURE (3)	OTHERS (SIGNIFICANT INFLUENCE) (4)	KEY MANAGEMENT PERSONNEL (5)	RELATIVE OF KEY MANAGEMENT PERSONNEL (6)	TOTAL (7)
PURCHASE OF GOODS		11223.10		11700.90			22924.00
Purchase of Goods (Previous Year)		(12396.07)		(7924.42)			(20320.49)
PURCHASE OF CAPITAL GOODS		31.54		7.24			38.78
Purchase of Capital Goods (Previous Year)							0.00
CORPORATE GUARANTEE ON LOANS FROM BANK		10911.23					10911.23
Corporate Guarantee on loans from bank (Previous Year)		(7573.98)					(7573.98)
SALES OF GOODS		61.16	33.46	59583.51			59678.13
Sales of Goods (Previous Year)		(60.10)	(586.67)	(53487.49)			(54134.26)
RENDERING OF SERVICES				166.64			166.64
Rendering of Services (Previous Year)		(12.60)		(193.06)			(205.66)
RECEIVING OF SERVICES		1317.50	39.13	162.64			1519.26
Receiving of Services (Previous Year)		(654.08)	(31.71)	(524.79)			(1210.58)
REIMBURSEMENT OF EXPENSES RECOVERED		148.71		13.04			161.75
Reimbursement of Expenses recovered (Previous Year)		(50.99)		(42.84)			(93.83)
REIMBURSEMENT OF EXPENSES			7.36	4.45			11.81
Reimbursement of Expenses (Previous Year)		(12.48)	(8.31)				(20.79)
CASH DISCOUNT PAID				495.19			495.19
Cash Discount Paid (Previous Year)							0.00
OTHER INCOME				2.63			2.63
Other Income (Previous Year)							0.00
LEASING OF PREMISES				12.63			12.63
Leasing of Premises (Previous Year)		(26.27)		(11.11)			(37.38)
SHARE CAPITAL							0.00
Share Capital (Previous Year)		(1310.19)					(1310.19)
SHARE APPLICATION MONEY PENDING FOR ALLOTMENT				61.69			61.69
SALE OF LONG TERM INVESTMENT				13.14			13.14
Sale of Long Term Investment (Previous Year)							0.00
REMUNERATION *	87.14				386.96		474.10
Remuneration (Previous Year)	(39.38)				(213.17)		(252.55)
DIRECTORS' SITTING FEE					1.70		1.70
Directors' Sitting Fee (Previous Year)					(1.00)		(1.00)
DIRECTORS' COMMISSION	40.00				216.00		256.00
Directors' Commission (Previous Year)							0.00
DIVIDEND PAID		119.84		191.14			310.98
Dividend Paid (Previous Year)							0.00
OUTSTANDING BALANCE AS ON 31.03.2011 (DEBIT)			8.06	1121.56			1129.62
Outstanding balance as on 31.03.2010 (Debit)			(308.17)	(1469.27)			(1777.44)
OUTSTANDING BALANCE AS ON 31.03.2011 (CREDIT)		4957.84		1338.86			6296.69
Outstanding balance as on 31.03.2010 (Credit)		(5343.27)		(547.09)			(5890.36)

1. Figures in bracket are in respect of the previous year.

2. \* Remuneration includes Superannuation and Provident Fund.

Name of Related Parties & Description of Relationship is as below :

1. The Individual/Entity Exercise Control over the Company
  1. Dr. Surinder Kapur
2. The entity having substantial interest in the Company
  1. JTEKT Corporation
3. Joint Ventures  
(Part of the year till disposal of respective investments)
  1. Sona Autocomp Inc.
  2. Sona Autocomp Europe SARL
  3. AAM Sona Axle Pvt. Ltd.
4. Others (Significant Influence)
  1. Sona Somic Lemforder Components Ltd.
  2. Sona Okegawa Precision Forgings Ltd.
  3. Mahindra Sona Ltd.
  4. Maruti Suzuki India Ltd.
  5. Sona e-Design and Technologies Ltd.
  6. Fuji Autotech AB, Sweden
  7. Pune Heat Treat Pvt. Ltd.
  8. DRSK Management Services Pvt. Ltd.
  9. Sona Mobility Services Ltd.
  10. Sona Autocomp Holding Pvt. Ltd.
  11. Kapur Properties & Investment
  12. Fuji Autotech Europe SAS
  13. Koyo Singapore Bearings Pte Ltd.
  14. Koyo Bearing India Pvt. Ltd.
  15. Fuji Kiko Company Ltd. Japan
  16. Summit Fuji Kiko Kurata Co. Ltd. Thailand
  17. Shye Fu Koyo Mechanical Industry Co.Ltd., China
  18. Douglas Autotech Corporation USA
5. Key Management Personnel
  1. Dr. Surinder Kapur - (Transactions disclosed under category (1) above)
  2. Mr. Sunjay Kapur
  3. Mr. P.V. Prabhu Parriker
  4. Mr. Kiran M. Deshmukh
  5. Mr. Sudhir Chopra
  6. Mr. Govindrajan Sunder Rajan



**(b) Transaction in excess of 10% of the total Related Party Transactions**

(Rs./Lacs)

Relationship	Name of Party	Description of the nature of transaction	For the Year Ended 31-Mar-2011	For the Year Ended 31-Mar-2010
Other Significant influence Substantial Interest	Sona Somic Lemforder Components Ltd. JTEKT Corporation	Purchase of Goods Purchase of Goods	8229.87 11223.10	6860.75 12396.08
Other Significant influence Substantial Interest	Sona e-design & Technologies Ltd. JTEKT Corporation	Purchase of Fixed Assets Purchase of Fixed Assets	7.24 31.54	0.00 0.00
Other Significant influence	Maruti Suzuki India Ltd.	Sales	58886.54	53103.24
Other Significant influence Other Significant influence	Sona Somic Lemforder Components Ltd. Sona Okegawa Precision Forgings Ltd.	Rendering of Services Rendering of Services	83.27 83.27	111.30 79.08
Other Significant influence Substantial Interest	Maruti Suzuki India Ltd. JTEKT Corporation	Receiving of Services Receiving of Services	0.00 1317.50	374.94 654.07
Other Significant influence Substantial Interest	Sona Somic Lemforder Components Ltd. JTEKT Corporation	Reimbursement of Expenses Recovered Reimbursement of Expenses Recovered	0.00 148.70	42.84 50.99
Other Significant influence Joint Ventures Other Significant influence Substantial Interest	Mahindra Sona Ltd. Sona Autocomp Inc. Douglas Autotech Corp USA JTEKT Corporation	Reimbursement of Expenses Paid Reimbursement of Expenses Paid Reimbursement of Expenses Paid Reimbursement of Expenses Paid	1.86 7.36 2.32 0.00	0.00 8.31 0.00 12.48
Other Significant influence	Maruti Suzuki India Ltd.	Cash Discount Paid	495.19	0.00
Other Significant influence	Sona Okegawa Precision Forgings Ltd.	Other Income	2.63	0.00
Other Significant influence Other Significant influence Substantial Interest	Pune Heat Treat Pvt. Ltd. Kapur Properties & Investment JTEKT Corporation	Leasing of Premises Leasing of Premises Leasing of Premises	9.24 3.10 0.00	9.24 0.00 26.26
Substantial Interest	JTEKT Corporation	Corporate Guarantee for loan	10911.23	7573.98
Substantial Interest Other Significant influence Other Significant influence	JTEKT Corporation Maruti Suzuki India Ltd. Sona Autocomp Holding Pvt. Ltd.	Dividend Paid Dividend Paid Dividend Paid	119.84 41.40 149.74	0.00 0.00 0.00
Other Significant influence	Arjan Auto Pvt Ltd	Share application money pending for allotment	61.69	0.00
Other Significant influence	Pune Heat Treat Pvt. Ltd.	Sale of long term investment	13.14	0.00
Significant Control Key Management Person Key Management Person Key Management Person Key Management Person Key Management Person	Dr. Surinder Kapur Mr. P.V. Prabhu Parriker Mr. K.M. Deshmukh Mr. Sudhir Chopra Mr. Sunjay Kapur Mr. Govindrajan Sunder Rajan	Remuneration Remuneration Remuneration Remuneration Remuneration Remuneration	87.14 0.00 58.18 77.39 138.66 77.57	39.38 33.76 53.80 35.37 53.50 36.76
Substantial Interest	JTEKT Corporation	Share Capital	0.00	1310.19
Key Management Person	Dr. Surinder Kapur Mr. K.M. Deshmukh Mr. Sudhir Chopra	Sitting Fee Sitting Fee Sitting Fee	0.00 0.80 0.90	0.30 0.40 0.30
Significant Control Key Management Person Key Management Person	Dr. Surinder Kapur Mr. Sunjay Kapur Mr. K.M. Deshmukh	Commission Commission Commission	40.00 162.00 54.00	0.00 0.00 0.00
Other Significant influence Joint Ventures	Maruti Suzuki India Ltd. Sona Autocomp Europe S.A.R.L.	Balances (Debit) Balances (Debit)	1068.01 0.00	1430.66 247.17
Substantial Interest Other Significant influence	JTEKT Corporation Sona Somic Lemforder Components Ltd.	Balances (Credit) Balances (Credit)	4957.84 1029.30	5343.27 0.00

15. The amount of excise duty disclosed as deduction from turnover is the total excise duty for the year except excise duty related to difference between the closing stock and opening stock and excise duty paid but not recovered, which has been disclosed as excise duty expense in "Raw Material and Components Cost - Increase/(Decrease) in excise duty on finished goods" under Schedule 14 annexed and forming part of Profit & Loss Account.
16. Prior period adjustment shown in Consolidated Profit & Loss Account relates to rectification of errors in earlier years.
17. Miscellaneous Income in Schedule 13 includes Rs. NIL (Previous Year Rs. 29.54 Lacs) being Provision for slow moving inventory written back.
18. Previous year figures have been regrouped/recast wherever necessary.

Signature to Schedule 1 to 19

As per our report of even date attached

For S.P. Puri & Co.,  
Chartered Accountants  
FRN 001152 N

(Rajiv Puri - Partner)  
Membership No. 84318

Place : New Delhi  
Dated : 28th April, 2011

Sudhir Chopra - Company Secretary  
Rajiv Chanana - Chief Financial Officer

For and on behalf of the Board

Sunjay Kapur-Vice Chairman & Managing Director  
Prem Kumar Chadha - Director

## CONSOLIDATED CASH FLOW STATEMENT

	Year Ended 31st March, 2011 Rs./Lacs		Year ended 31st March, 2010 Rs./Lacs	
<b>A. CASH FLOW FROM OPERATING ACTIVITIES :</b>				
Net Profit before tax and Minority Interest		7365.31		2540.25
Adjustment for :				
Depreciation	3773.73		2845.30	
(Profit)/Loss on sale of Fixed Assets	21.88		23.85	
(Profit)/Loss on sale of Long Term Investments	(579.34)		0.00	
Dividend from Long Term Investment-Trade	(7.00)		(7.00)	
Provision for Doubtful Debts Written Back	(19.61)		0.00	
Bad Debts/Advances Written off	19.61		19.61	
Provision for Slow Moving Inventory	0.00		(29.54)	
(Gain)/Loss on Revaluation of Foreign Currency Term Loans	0.00		(304.86)	
Minority Interest	0.00		7.26	
Interest Expense	3347.10		2670.05	
Interest Income	(24.37)	6532.00	(67.39)	5157.28
Operating Profit before Working Capital Changes		13897.31		7697.53
(Increase)/Decrease in Sundry Debtors	(7194.11)		(1376.01)	
(Increase)/Decrease in Inventories	(2434.84)		(2066.75)	
(Increase)/Decrease in Loans & Advances/Other Current Assets	(2385.79)		2411.40	
Increase/(Decrease) in Current Liabilities & Provisions	7191.14	(4823.60)	(2644.36)	(3675.72)
Cash generated from operations		9073.71		4021.81
Income Tax Paid		(952.72)		(82.19)
Net Cash from operating activities		8120.99		3939.62
<b>B. CASH FLOW FROM INVESTING ACTIVITIES:</b>				
Purchase of Fixed Assets (including CWIP)	(7141.20)		(6495.21)	
Proceeds from Sale of Fixed Assets	858.03		42.56	
Proceeds from Sale of Long term Investments	874.78		0.00	
Dividend Received	7.00		7.00	
Interest Received	24.37		67.39	
Net cash (used)/raised from investing activities		(5377.02)		(6378.26)
<b>C. CASH FLOW FROM FINANCING ACTIVITIES:</b>				
Share Application Money Received	0.00		(58.80)	
Proceeds From Fresh Borrowings	5962.81		16560.31	
Repayment of Borrowings	(4053.37)		(11169.98)	
Interest Paid	(3320.83)		(2681.36)	
Dividend Paid	(596.23)		0.00	
Tax on Dividend Paid	(99.03)		0.00	
Net Cash used in financing activities		(2106.65)		2650.17
Net increase in cash & cash equivalents (A+B+C)		637.32		211.53
<b>Cash &amp; Cash Equivalents as at 31.03.2010</b>				
Cash & Bank Balances	587.72	587.72	376.19	376.19
<b>Cash &amp; Cash Equivalents as at 31.03.2011</b>				
Cash & Bank Balances	1225.04	1225.04	587.72	587.72

### NOTES TO THE CASH FLOW STATEMENT :

- The above Cash Flow Statement has been prepared under the indirect method set out in Accounting Standard 3 "Cash Flow Statement".
- Figures in brackets indicate cash outflow and without brackets indicate cash inflow.
- Cash and Cash equivalents include unclaimed dividends accounts of Rs.38.99 Lacs (Previous Year Rs.34.20 Lacs) which are not available for use by the Company.

As per our report of even date attached  
For S.P. Puri & Co.,  
Chartered Accountants  
FRN 001152 N

(Rajiv Puri - Partner)  
Membership No. 84318

Place : New Delhi  
Dated : 28th April, 2011

Sudhir Chopra - Company Secretary  
Rajiv Chanana - Chief Financial Officer

For and on behalf of the Board

Sunjay Kapur-Vice Chairman & Managing Director  
Prem Kumar Chadha - Director



*We care ..*  
**SUSTAINABILITY INITIATIVES**





## Sona Koyo Steering Systems Ltd.

UGF-6, Indraprakash  
21, Barakhamba Road,  
New Delhi 110 001 INDIA  
Ph. 91 (11) 2331 1924, 2332 7205

[www.sonagroup.com](http://www.sonagroup.com)

