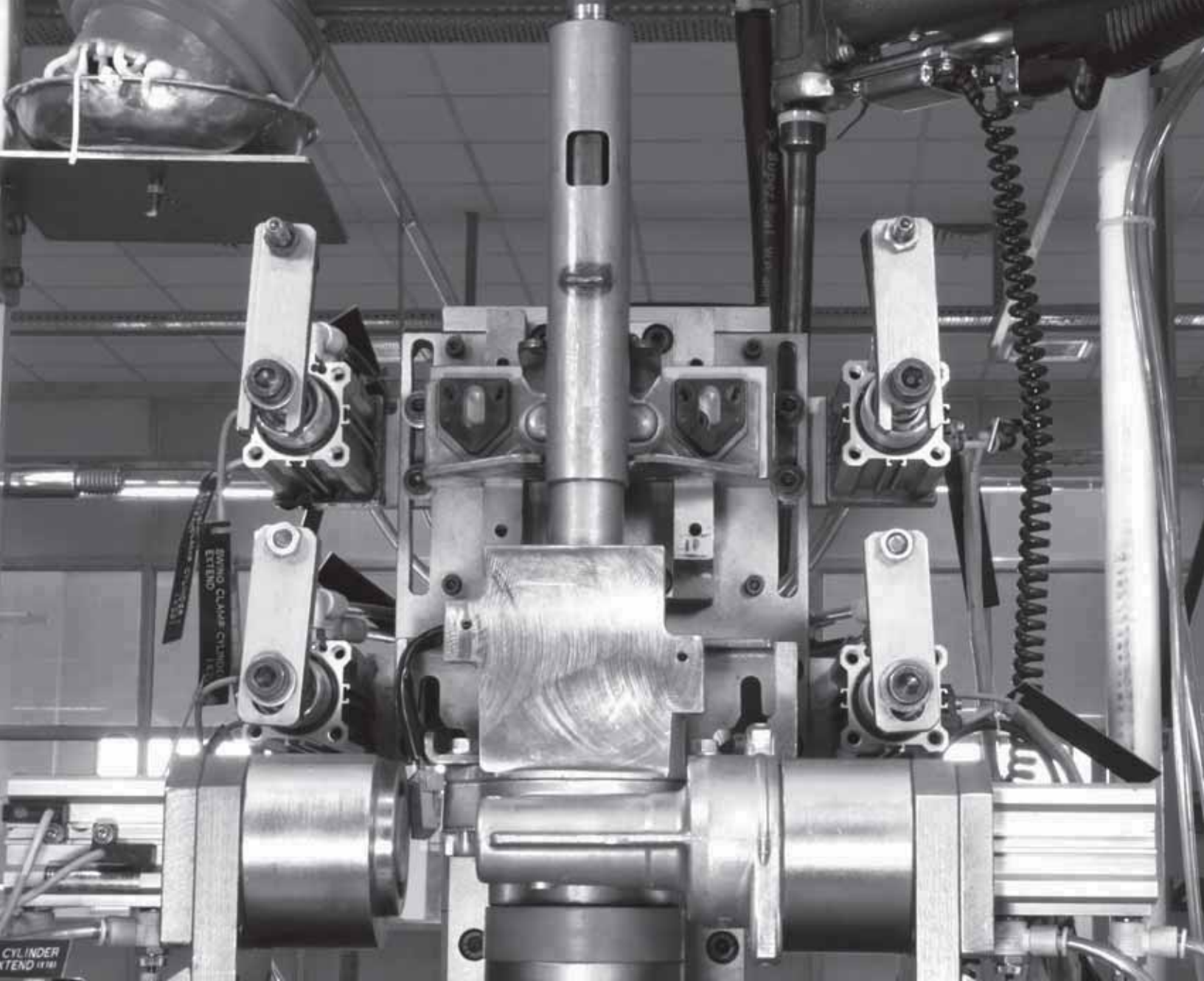




ANNUAL REPORT 2011-12  
SONA KOYO STEERING SYSTEMS LTD.





Deming Award winner Sona Koyo Steering Systems Ltd. has the latest testing facilities to ensure top quality standards



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## CHAIRMAN'S LETTER





Dear Shareholders,

Year 2011-12 marked a year of spirited growth and positive progress for Sona Koyo Steering Systems Ltd, the result of the management's continued focus on harnessing the power of partnerships. Today, from the helm, we are pleased to report that Sona Koyo team is moving in strong unison – working in synchronized rhythm with employees, customers, vendors and investors. Moving in tandem and building valued relationships is how we have been able to deliver growth, despite a lacklustre and challenging economic environment.

During the year your company outperformed the industry, registering a consolidated sales growth rate of 17.6%, despite Indian passenger car sales growing only 2% (which represented lowest growth since 2008-09). Year 2011-12 saw the company achieve sales turnover of ₹ 11.3 billion with the Sona Koyo Group consolidated sales turnover at ₹ 14.1 billion. Strong focus on cost management and improving operational efficiencies resulted in standalone operating profit growth of 14%, compared to 10% growth in sales. The Board has recommended a dividend of 65%.

Now, with demand sentiments and indicators turning and strong foundations for future growth laid down, the company is well set to push forward with its growth agenda. India has been the major performer in the global scenario. The world economy grew by just 3.8% in FY'12 whereas India registered a growth of 6.5%.

Further, the global automotive industry continues to have a subdued outlook for 2012 after a tough 2011. Worldwide new vehicle sales in 2012 are expected to rise 6.7% over 2011 volumes to 77.7 million vehicles. However, BRIC growth is likely to reach double digits (12%) in 2012 following only 5% growth in 2011.

Demographically and economically, India's automotive industry is well positioned for growth, servicing both domestic demand and export opportunities. According to the Automotive Component Manufacturer Association (ACMA) estimates in the Automotive Mission Plan 2016, the total turnover of the automotive industry in India would be in the order of USD 122-159 billion in 2016, accounting for more than 10% of India's GDP. As per the Society of Indian Manufacturer Association (SIAM) estimates, the Indian passenger vehicle production is expected to grow three times to 9.7 million by 2020 from the current level of 3.1 million.

We made remarkable progress in a variety of new business fields in 2011-12 as we laid the groundwork for even greater growth in the years ahead. The efforts of in-house R&D investment for Electronic Power Assisted Module (EPAM) have borne fruit, with commercial production starting from Jan12. This has enabled the company to not only enter a new segment of steering technology for off-road vehicles but also expand its customer base. With a strategic vision

to expand production capacity we have established a new facility at Dharuhera with an installed capacity of 598,000 manual steering gears in phase 1.

Cost competitiveness and improving productivity & efficiency is a strategic focus for Sona Koyo. Company has set up the backward integration aluminium die casting plant and work on Insourcing plant is proceeding rapidly and scheduled to be completed by first half of FY'13. With an increasing trend of companies graduating towards light weight products, the aluminium die casting facility would provide a strong avenue for adding new customer segments.

Looking ahead, we aim to enhance our competitiveness and profitability by pursuing quality, organic growth in our current businesses and strategic expansion into key market segments.

The future success of the company depends upon our ability to meet the customers' demands and aspirations. There is great confidence that with the major initiatives undertaken in terms of operational synergies, human resource leadership programs, technological advancements, Sona Koyo will achieve growth and take its place as a respected and viable automobile enterprise with meaningful size and scale in the segments in which it operates.

With an emphasis on long term sustainability, the company focuses on safeguarding the environment through recognizing the impact of its operations on the environment. In line with the focus on environment the company has implemented virtualization program aimed at optimizing usage of computing power & end user devices which would reduce energy consumption.

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, we would like to thank you, our shareholders, for your continuing interest in Sona Koyo's business activities and assure you that your company will, as always, live up to your expectations.



**Dr. Surinder Kapur**  
Chairman

VICE-CHAIRMAN AND MANAGING  
DIRECTOR'S LETTER



Dear Shareholders,

A positive look at 2011-12, a year full of challenges for the Automotive sector, shows multiple gains at Sona Koyo both in terms of financial and operational performance.

The company has followed a conscious strategy of adding new customers and increasing penetration amongst existing customers. The impact of this move can be corroborated by 10% growth in revenues despite strong headwinds in the automotive sector. Company's entry into a new segment with orders from John Deere, one of the world's leading players in off-road vehicle market, is a testimony to the technological prowess & strong market standing.

Let me take this opportunity to outline the progress that Sona Koyo has made in some of the key focus areas, namely Strengthening Partnerships with Suppliers & JV Partners, Improving Competitiveness & Strategic Investments in People & IT systems.

Sona Koyo believes in the power of partnerships and the unique capabilities of its partners to complement and supplement each other. Sona Koyo has collaborated with multiple partners for different products, technologies and customer requirements. A testimony to this is the long standing relationship with our partners such as JTEKT, Maruti Suzuki and Fuji Kiko. The company, in collaboration with Confederation of Indian Industry (CII) is also leading the VSME (Visionary Small & Medium Enterprises) program aimed at improving technical & operational efficiency of tier-2 & tier-3 suppliers. The Company organized Supplier Conference which was attended by 220 suppliers. The theme for the conference was "Partnering Growth" and was aimed at enabling both Sona Koyo and the suppliers to be mutually aligned to the changing market scenario.

With Cost Competitiveness being a source of crucial strategic advantage in the current market scenario, your company has placed considerable emphasis on enhancing efficiency & productivity of operations. We have taken a multi-pronged approach in execution of this strategy by increasing localization and enhancing our Backward Integration & Insourcing program.

The company has followed a structured approach aimed at greater localization of imported parts, exploring weight reduction opportunities and competitive dual sourcing of components. The company continues to make strong efforts aimed at further reducing percentage of imported components.

The Insourcing program is a strategic move to not only bring back processes that had been outsourced but also improve quality, reduce cost and increase value addition, all of which would have a positive impact on our profitability. Also the company has set up an aluminium die casting plant as part of its backward integration program which would further enhance operational efficiency.

The organization undertook a strategic exercise aimed at developing a leadership pipeline and at the same time build a strong pool of talent. The company through its program called the "Drivers of Tomorrow" has identified future leaders and is implementing an executive coaching program and equipping the identified pool of employees with critical skill set for future growth.

We believe IT is a strong driver towards not only improving efficiency but also for improvement in overall quality of processes. With this in mind company has laid down the IT strategy roadmap for next 3 years aimed at enhancing knowledge management systems, business intelligence systems and improving supplier collaboration. Another initiative taken by the Company was to implement virtualization of computing power & end user devices which would optimize utilization of resources and reduce energy consumption & end user maintenance. In addition, the Company has upgraded the Product Lifecycle Management application. These initiatives shall deliver robust financial controls.

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 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



Dr. Surinder Kapur



Mr. Sunjay Kapur



Mr. K. M. Deshmukh



Mr. Hiroyuki Miyazaki



Mr. Kazuhiko Ayabe



Mr. J. M. Kapur



Mr. B. L. Passi



Mr. Ramesh Suri



Mr. Ravi Bhoothalingam



Mr. P. K. Chadha



Lt. Gen. (Retd) S.S. Mehta



Dr. Rakesh Mohan



Ms. Ramni Nirula



## 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  
Ms. Ramni Nirula

## 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. R. B. Singh  
Mr. A. Fujimoto  
Mr. A. D. Rao  
Mr. Rajiv Chanana  
Mr. P. P. Gajpal  
Mr. Deiva Subramanian  
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

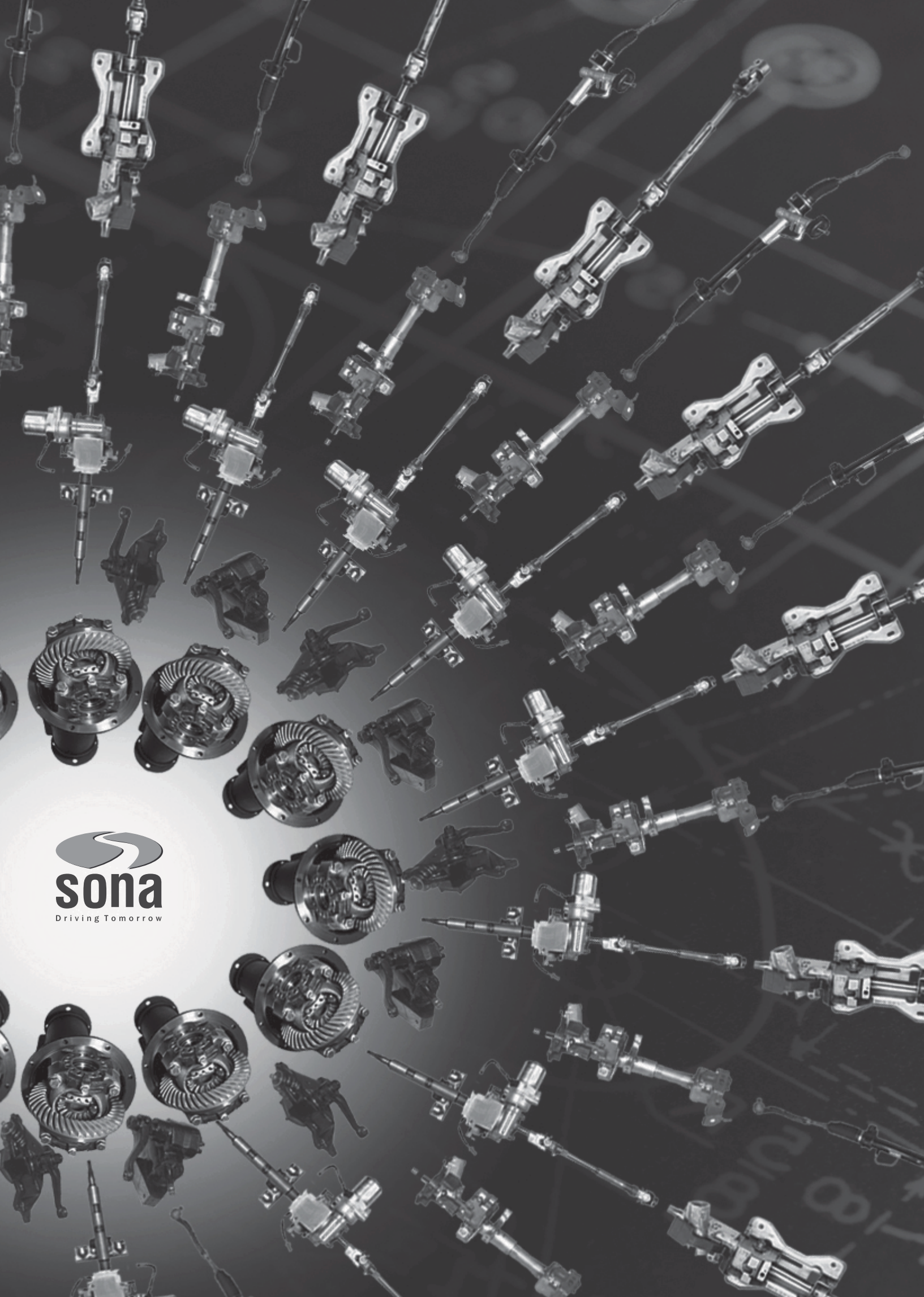
Karvy Computershare Pvt. Ltd.  
305, New Delhi House,  
27, Barakhamba Road, Connaught Place,  
New Delhi 110 001

## 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)
- 5) Plot No. 19, Industrial Area,  
Dharuhera, Distt. Rewari (Haryana)
- 6) Vill. Malpura, Tehsil Dharuhera  
Distt. Rewari (Haryana)



  
**sona**  
Driving Tomorrow

# MANAGEMENT DISCUSSION AND ANALYSIS

## Market Scenario

2011 witnessed slowdown in world economic growth from 5.2% to 3.8%. GDP growth in the US slipped to 1.8% in Q4 of 2011 from 2.7% during Q4 of 2010. The Euro zone continued to remain under severe pressure due to sovereign debt crisis registering a marginal GDP growth of 1.6%. The major emerging economies also faced slowdown in growth with China growing at 9.2% in 2011 compared to 10.4% in 2010.

Global economy continues to face strong headwinds with growth projected to drop from 3.8 % in 2011 to 3.3% in 2012. Developed economies are expected to expand marginally by 1.2% in 2012. Fiscal consolidation and bank deleveraging would be the key drivers for slowdown. While both are needed today, they would most certainly decrease growth in the short term. Fiscal consolidation is being implemented in most advanced economies while bank deleveraging is primarily affecting Europe. While such deleveraging does not necessarily imply lower credit to the private sector, the evidence suggests that it is contributing to a tighter credit supply.

Emerging economies are not immune to these developments; low economic growth has meant lower export growth for them. Further financial uncertainty, together with sharp shifts in risk appetite, has led to volatile capital flows impacting balance of payments and exchange rates.

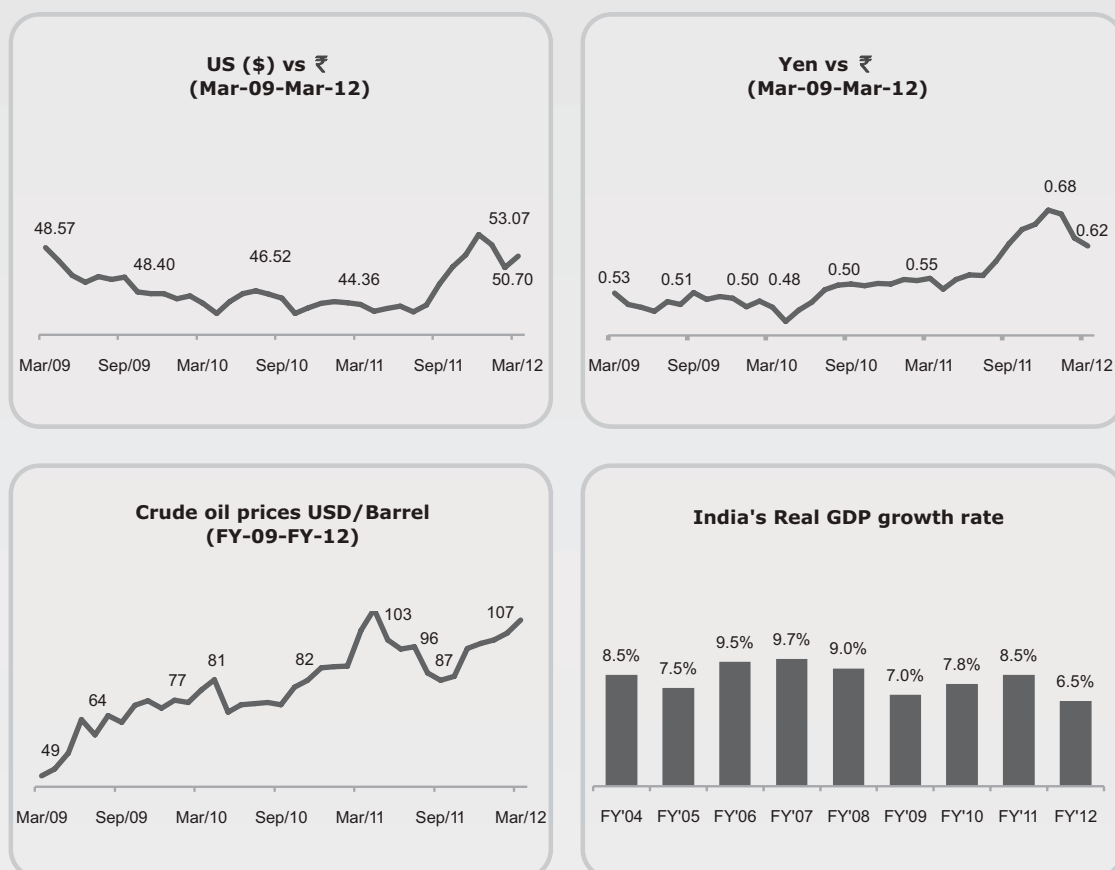
The Indian economy continues to face strong challenges in the forms of rising fiscal deficit, ballooning oil import bill, declining rupee & infrastructural bottlenecks. The Indian Index of Industrial Production (IIP) grew by only 2.8% during 2011-12 as compared to 8.2% in 2010-11. Fiscal deficit remains at a high level of 5.6% with debt to GDP ratio of 74%. Also, the oil import bill increased by 47% in FY'12 compared to FY'11.

Despite the tough economic conditions, the Indian economy has shown strong resilience registering GDP growth of 6.5% in FY'12. India's GDP as per different estimates is expected to grow between 6.3% - 7.5% in 2012-13. A cyclical upturn in investment, stronger external demand and the effects of recent monetary easing will boost growth, although high inflation and falling value of rupee would dampen the investment climate.

Besides, there are certain critical data points that could favour the India growth story & spark a turnaround. International crude oil price has corrected sharply and is now flat on a year-on-year basis. Even a modest increase in domestic fuel prices, coupled with the international price decline that has taken place so far, will bring cohesiveness to the FY'12-13 budget target, ease current account pressure and help stabilize the exchange rate.

Also, despite high inflation, disaffection with political situation and daunting infrastructure bottlenecks, the Indian consumers remain aspirational and confident about their income and employment outlook keeping the Indian consumption story intact. This is a powerful factor that can underpin strong consumption for a long period.





## Market Segment

The Indian Automotive industry witnessed a slowdown in demand in 2011-12, partly contributed by rising interest rates and fuel prices impacting consumer sentiment, reinforced by the sovereign debt crisis in the Eurozone. The automotive industry growth halved to 13.8% YOY in FY'12, compared to a 27.5% YoY growth in FY'11, with cumulative production for FY'12 being 20,366,432 units. While passenger vehicle segment grew at 4.6% during FY'12, overall commercial vehicle segment registered an expansion of 18.2% YoY.

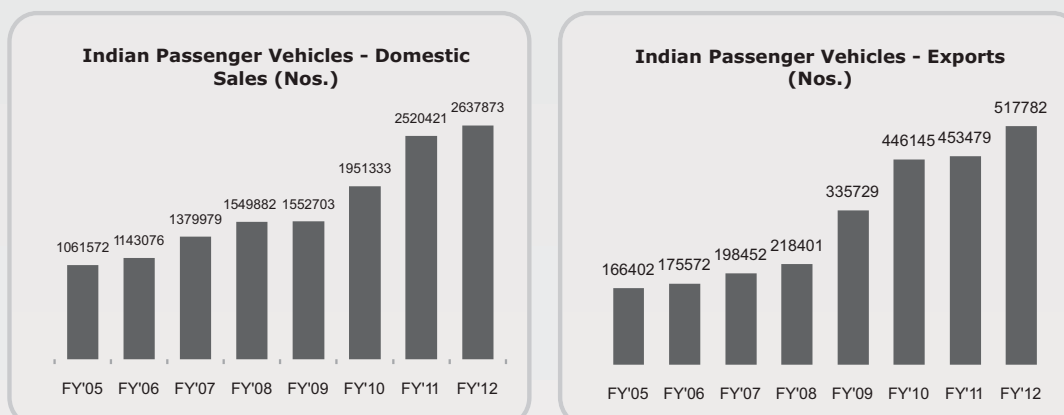
In addition to the slowing growth, the margins of automotive component industry were also impacted due to combination of multiple factors. Weaker INR against USD negated the potential benefit from softening commodity prices & weaker INR against JPY increased the cost of imports for ancillaries. Also, sluggish growth in supplies to domestic OEMs, coupled with higher overhead costs, led to decline in profitability margins.

Due to its deep forward and backward linkages with several key segments of the economy, automotive industry has a strong multiplier effect and is capable of being the driver of economic growth. The contribution of the automotive industry to GDP has risen from 2.7% in 1992-93 to around 5.5% in 2010-11. ACMA estimates, that this number is expected to increase to 10% by 2016.

The Indian automotive component industry has transitioned from a low key supplier providing components to the domestic market to one of the key global auto component centers. India is now a supplier of range of high value added & critical components to global auto makers. The automotive component industry has registered a growth rate of 26% in the period 2010-11 with exports estimated to be USD 5 billion. The automotive component industry continues to play a critical role in growth of the Indian economy.

As per SIAM, domestic passenger vehicles sales are expected to grow by 10-12% in 2012-13 with pickup in small car sales. The passenger vehicle industry is also benefitting from India's favourable demographic profile, which is reflected by its very young population (50% of population under the age of 25), steadily improving dependency

ratio, growing urbanization and trend moving towards smaller, nuclear families. These trends in turn result in higher savings and increased ability to purchase vehicles, as well as explain the preference for smaller-cars. Also, the wide variety of models & easy availability of financing options continue to act as key growth drivers.



In addition to demand from urban areas, smaller towns and rural India have been incrementally driving demand for passenger vehicles in India. For instance, market leader Maruti Suzuki generates nearly 19% of its sales from non-urban areas compared to just 4-5% about five years back. This has largely been prompted by rising disposable income levels in smaller towns and rural areas, improving road connectivity and higher number of earning members in the family.

The overall outlook on the Indian automotive sector continues to be positive in the long term, aided by low penetration levels, healthy economic environment, favourable demographics and higher per-capita income levels which would help automotive players to maintain their top-line growth. The long term growth rates (3-5 years) for passenger vehicles & commercial vehicles is expected to be ~15%.

### Subsidiaries and Joint Ventures

During the year under review, Sona koyo's key subsidiary JTEKT Sona Automotive India Limited (JSAI) started mass production of Column Type Electric Power Steering System (C-EPS) for Nissan-Sunny.

Some of the key highlights of the company's operations are as follows:

- (1) The company has successfully reduced cycle time of Line 2 for machining of Worm Housing Assembly from 54 seconds to 27 seconds;
- (2) The company has received certification of ISO 14001 for main plant at Bawal as well as for post assembly plants at Chennai and Bangaluru.
- (3) The post assembly plant at Bangaluru also received certification of TS 16949.

During the year, development activities for Honda-Brio and Ashok Nissan-MUV have been completed and the Start of Production for both items is scheduled for August, 2012. For the complete year of manufacturing operations, JSAI achieved a Sales Turnover of ₹ 3803 million and PAT of ₹ 233 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', Maruti Suzuki 'Wagon R' for Tilt and Non-tilt models, Jacket Assembly and Intermediate Shaft for Toyota 'Etios' as well as exports to Summit Fuji Kiko Kurata Co Ltd-Thailand. During the year, additional capacity for the acquired businesses for the supply of Jacket Assembly for Honda Tilt



and Non-tilt models have been added and trials have been conducted. Start of Production for both the projects are planned in early 2012-13. For the completed year 2011-12, SFAL achieved sales turnover of ₹ 358 million and PAT of ₹ 17 million.

Sona stampings Limited (SSL) continued to be in the process of consolidation of its operations. To improve the operational efficiency, the Company has shifted from its present location in Farukhnagar to a new industrial location premises in Gurgaon besides carrying out the changes in the key managerial position. For the year, SSL achieved Sales turnover of ₹ 118 million and incurred a loss of ₹ 40 million.

## **Operations**

With clear focus on building a stronger future, the company incurred a capex of ~ ₹ 1,146 million towards setting-up a new facility at Dharuhera to manufacture steering systems, establishing an aluminium die-casting facility at Dharuhera as part of the company's attempt towards backward integration and in-sourcing of aluminium die-cast child parts of steering systems, besides replacement and expansion capex at its other plants at Dharuhera, Chennai and Sanand. The company has plans to incur additional capex towards localization programmes, next phase of expansion of aluminium die-casting facilities as well as regular capacity expansion across manufacturing facilities.

The Company completed the commissioning of the EPAM (Electronic Power Assist Module) plant for off highway vehicle applications in January 2012. Commercial production started with supplies to John Deere, a Fortune 500 company and the leading manufacturer of agricultural machinery in the world for the off-highway vehicle market. Entry into a new segment with one of leading companies augurs well for Sona Koyo as it provides strong platform to garner more clients in the segment. The product, a result of in-house R&D efforts, is a testimony to the strong technical competence of the company, which would continue to create a strong competitive advantage for the company.

Capacity Utilization - Management focus during the year was towards improving capacity utilization and Value Addition per employee. Despite tough market conditions, the Company, at the operating levels, improved its Capacity Utilization by producing 5,230,330 units under the Steering and Column Assembly group as compared to 5,021,169 units produced last year registering a growth of 4.1%.

## **Profitability & Competitiveness Improvement**

Despite a challenging market environment, management focus towards improving competitiveness has helped the company to achieve robust growth in turnover and profitability. Sona Koyo achieved 10.2% growth in sales turnover to reach ₹ 11,405 million. Sona Koyo was able to make a PAT of ₹ 388 million in FY-12, an increase of 3.8% over PAT of ₹ 374 million made in FY'11.

With a strong localization program in place, Sona Koyo has continued with its efforts to reduce imports and improve the level of localization of various imported parts. The company initiated work on Phase-4 CEPS localization at Dharuhera facility which would bring down the percentage of import content. Various VAVE activities were initiated along with active participation with Suppliers to improve efficiency of operations. A direct impact of these efforts was a reduction in raw material cost as a percentage of total revenues from 74% in FY'11 to 72.5% in FY'12.

Sona Koyo continues to invest in various HR programs & trainings aimed at adding value and improving manpower efficiency. The company has undertaken multiple training programs such as Group Kaizen & Total Quality Management Programs. The company has automated the complete HR systems and is in the process of commissioning an online HRMS. This would enable safety of data, speed, and accuracy. This is another major HR initiative that the company has launched aimed at making Sona Koyo an employer of choice.

We believe IT is a strong driver towards not only improving efficiency but also towards improvement in overall quality of processes. With this in mind company has laid down the IT strategy roadmap for next 3 years aimed at enhancing knowledge management systems, business intelligence systems and improving supplier collaboration. Another initiative taken by the Company was to implement virtualization of computing power & end user devices which would optimize utilization of resources and reduce energy consumption & end user maintenance. In addition, the Company has upgraded the Product Life Management application. These initiatives shall deliver robust financial controls.

### **Awards and Recognition**

Recognition from customers is the strongest testimony to company's excellence and Sona Koyo once again achieved recognition of its excellence. Maruti Suzuki awarded Sona Koyo with Production System Excellence Award & Human Resource Excellence Award. Sona Koyo was also awarded with 2<sup>nd</sup> prize in Kaizen competition for Mahindra Supplier group.

To demonstrate its products & technological prowess, the company participated in the auto expo held from 7<sup>th</sup> – 11<sup>th</sup> January, 2012. Sona Koyo showcased its steering systems, EPAM, Case differentials and Aluminium Die Casting components developed at its own Aluminium Die Casting plant.

### **Supply Chain Management**

Sona Koyo believes in the power of partnerships. It believes in the unique capabilities of its partners to compliment and supplement each other. The Company has collaborated with multiple partners for different products, technologies and customer requirements. In line with this strategy, the company had embarked upon the VSME (Visionary Small & Medium Enterprises) project under Visionary Leaders for Manufacturing (VLFM) Programme run in collaboration with CII in year 2010-11 which continued this year as well. After the successful completion of VSME 1<sup>st</sup> batch which included 8 suppliers in FY'12, company has expanded the scope for VSME 2<sup>nd</sup> batch to include 12 suppliers which would begin in FY'13. The faculty for the programme includes Chief Advisor, Professor Shoji Shiba – an international expert in TQM and Breakthrough management. Sona Koyo technical team actively participates with the selected suppliers to enable improvement of efficiency of their manufacturing operations and achieve technological changes.

Over the years Sona Koyo has placed strong emphasis on building long term partnerships with suppliers and continues to take multiple steps in enhancing the same. The strength of these partnerships can be seen from the fact that 42% of the suppliers have been associated with the company for more than 20 years. The Company organized the Supplier Conference which was attended by 220 suppliers. The theme for the conference was "Partnering Growth" and was aimed at enabling both Sona Koyo and the suppliers to be mutually aligned to the changing market scenario. Dr. Surinder Kapur and other Board of Directors were an integral part of the whole proceedings enhancing the bond between the senior management and suppliers. Sona Koyo sensitised the suppliers with key trends in Global & Indian automotive industry and highlighted the possible impact on industry. There was a demonstration of customer ratings & improvement areas for suppliers. The Company also gave away 28 different awards based on various success parameters. Sona Koyo would continue to implement a structured program to further enhance collaboration with the suppliers.

The Company continues to make efforts to improve supply chain efficiency and has initiated multiple programs for reducing bottlenecks in the supply chain. The Company has launched “Milk Run” a unique program that aims to save on component delivery time from suppliers to the manufacturing plant. Also, the company periodically reviews the capacities & performance of suppliers enabling it to proactively modify its sourcing strategy.

### **Research and Development (R&D)**

Electric Power Assist Module (EPAM) developed and patented (US 7,789,191) by R&D for off road application is currently in production and supplies to the US customer have been started. Variants of EPAM for different types of vehicles with unique features and low cost are being developed for ease of mounting with desired performance.

Sona Koyo has been awarded an Indian patent (251728) titled “Improved telescopic mechanism in steering shaft assembly used in steering column for automobile” useful for passenger cars.

Perceiving the need of power steering and growth in Farm Tractors segment, an innovative “environment friendly and safe” Electric Power Steering has been developed for Farm Tractor users. Our unique design is comparatively safer than the currently used hydrostatic power steering in Tractors. Our future areas of research include development of power transmission-electronic control unit (ECU) for electric/hybrid vehicle, refinement of Steer by Wire technology and development of autonomous steering for unmanned/defense vehicle application.

### **Outlook**

The automotive industry is not only one of the highest revenue-earning industries in India but also it provides large scale employment, which creates a strong multiplier effect. The industry has been witnessing impressive growth during the last two decades. It has been able to restructure itself, absorb newer technology, align itself to global developments and realize its potential. Coupled with the benefit of a large and growing domestic market, India has proven product development capabilities making it an attractive destination as a global outsourcing hub and manufacturing base for original equipment manufacturers. The Indian auto component industry is one of the front runners for grabbing increasing share of global auto component outsourcing market, estimated to be worth USD 700 billion by 2015.

As per SIAM estimates, growth rate in the Auto sector is estimated to be 10%-12% in FY'13 driven by cooling inflation and moderation in interest rates. 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 drive long term growth of the Indian automotive sector.

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 automotive industry over the next five to seven years. Cost & Efficiency optimization shall be the key words.

## Financial Review

SKSSL's abridged Profit & Loss Account ( ₹ in Millions )

Particulars	2011-12	2010-11
Domestic Sales	10,911	9,858
Exports Sales	442	459
Net Income from Operations	11,353	10,317
Other Operating Income	52	31
Total Income	11,405	10,348
Raw Material	8,265	7,653
Staff Cost	959	757
Other Expenditure	988	890
EBITDA	1,193	1,048
Depreciation & Amortisation	333	285
EBIT	860	763
Other Income / Exceptional Income	40	69
Finance Charges	337	317
PBT	563	515
Tax	175	141
PAT	388	374
Capital expenditure	1,146	419
EPS (Rs.)	1.95	1.88
D/E ratio	1.10	1.08

- Total income from operations increased by 10.2% from ₹ 10,348 million in 2010-11 to ₹ 11,405 million in 2011-12 despite sluggish growth of 2% in passenger vehicles segment.
- Material cost as % of Total Income declined from 74% in FY'11 to 72.5% in FY'12
- Other Operating expenses (Manufacturing, Administration and Selling) increased marginally from 8.6% to 8.7%.
- Operating income (EBITDA) as a percentage of total income increased by 34 basis points from 10.1% in FY'11 to 10.5% in FY'12.
- The company incurred capital expenditure of ₹ 1,146 million in FY'12, compared to ₹ 419 million in FY'11 but there was only a marginal increase in D/E ratio from 1.08 in FY'11 to 1.10 in FY'12.
- The Company has maintained the dividend payout at 65%
- Earnings per share (EPS) increased from ₹ 1.88 in FY'11 to ₹ 1.95 FY'12.
- ICRA has upgraded the Company's long term rating from LA- (pronounced L A minus) to LA (pronounced L A) with stable outlook. ICRA has also revised the short term rating from A2+ (pronounced A two plus) to A1 (pronounced A one).

## 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 the 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 Risk Management 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 cannot be totally ruled out, the Company proactively takes conscious and reasonable steps, making efforts to mitigate the significant risks that may affect it.

### **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 healthy placement record over 5 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.



# C O R P O R A T E   G O V E R N A N C E   R E P O R T

## 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, 2012, the Board of Sona consisted of thirteen Directors. The Chairman, the Vice Chairman & Managing Director and the Deputy Managing Director are the Executive Directors of the Company. The remaining ten Directors are non-executive Directors, of which seven 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, 2012, Sona held four board meetings on 28<sup>th</sup> April, 2011, 2<sup>nd</sup> August, 2011, 1<sup>st</sup> November, 2011 and 1<sup>st</sup> February, 2012. 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, 2012

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 <sup>①</sup>
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	2(-)
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. Hiroyuki Miyazaki	Non-Executive Director (Nominee of JTEKT)	4	4	Yes	Nil
Mr. J. M. Kapur	Non-Executive Director (Brother of Dr. S. Kapur)	4	2	Yes	Nil
Mr. P. K. Chadha	Independent Director <sup>③</sup>	4	3	No	2(1)
Mr. Ravi Bhoothalingam	Independent Director <sup>③</sup>	4	4	Yes	1(1)
Mr. Ramesh Suri	Independent Director <sup>③</sup>	4	2	No	13(1)
Mr. B.L. Passi	Independent Director <sup>③</sup>	4	1	No	3(1)
Lt.Gen.(Retd.) S.S.Mehta	Independent Director <sup>③</sup>	4	4	Yes	1(-)
Dr. Rakesh Mohan	Independent Director <sup>③</sup>	4	3	Yes	2(1)
Ms. Ramni Nirula <sup>②</sup>	Independent Director <sup>③</sup>	2	1	N.A.	8(4)

**Notes :**

- ① Figures in ( ) denotes listed Companies.
- ② Appointed by the Board as Non-Executive Independent Director with effect from 1<sup>st</sup> November, 2011.
- ③ '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 Pvt. 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 Note No. 45 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 ₹) paid or payable to Directors for the year ended 31<sup>st</sup> March, 2012

Name of Directors	Relationship with other Director	Sitting Fee ①	Commission on profits	Salary	Perquisites	Provident & Superannuation Fund	Total
Dr. Surinder Kapur	Brother of Mr.J.M. Kapur	N.A.	88,51,000	60,00,000	18,91,154	16,20,000	1,83,62,154
Mr. Sunjay Kapur	Son of Dr. S. Kapur	N.A.	1,61,64,000	47,34,615	95,17,196	11,98,154	3,16,13,965
Mr. K. M. Deshmukh	None	N.A.	63,20,000	37,25,000	22,91,600	9,13,500	1,32,50,100
Mr. Kazuhiko Ayabe	None	40,000	Nil	N.A.	N.A.	N.A.	40,000②
Mr. Hiroyuki Miyazaki	None	40,000	Nil	N.A.	N.A.	N.A.	40,000
Mr. J. M. Kapur	Brother of Dr. S. Kapur	60,000	7,90,000	N.A.	N.A.	N.A.	8,50,000
Mr. P.K. Chadha	None	1,20,000	7,90,000	N.A.	N.A.	N.A.	9,10,000
Mr.Ravi Bhoothalingam	None	1,00,000	7,90,000	N.A.	N.A.	N.A.	8,90,000
Mr. Ramesh Suri	None	30,000	7,90,000	N.A.	N.A.	N.A.	8,20,000
Mr. B. L. Passi	None	10,000	7,90,000	N.A.	N.A.	N.A.	8,00,000
Lt.Gen.(Retd.)S.S.Mehta	None	1,20,000	7,90,000	N.A.	N.A.	N.A.	9,10,000
Dr. Rakesh Mohan	None	50,000	7,90,000	N.A.	N.A.	N.A.	8,40,000
Ms. Ramni Nirula ③	None	10,000	7,90,000	N.A.	N.A.	N.A.	8,00,000

**Notes:**

- ① Sitting Fee includes the fee paid for attending the Committee Meetings.
- ② Sitting Fee for attending the Board Meetings was paid to the nominating Company MSIL.
- ③ Appointed by the Board as Non-Executive Independent Director with effect from 1<sup>st</sup> November, 2011.

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 Board of Directors of the Company in its meeting held on 1<sup>st</sup> May, 2012, considering the recommendation of the Remuneration Committee (meeting held on 1<sup>st</sup> May, 2012) and subject to the approval of the Shareholders and such sanction(s), as may be necessary, has approved the re-appointment of Dr. Surinder Kapur as Chairman of the Company for a further period of five (5) years, with remuneration, with effect from 28<sup>th</sup> September, 2012 on the revised terms and conditions. The resolution for the re-appointment of Dr. Surinder Kapur is mentioned at Sl.No. 9 of the Notice of the 28<sup>th</sup> Annual General Meeting.

As approved by the Shareholders of the Company in the Twenty Seventh Annual General Meeting held on 2<sup>nd</sup> August, 2011, an Agreement dated 1<sup>st</sup> November, 2011 was executed between the Company and Mr. Sunjay Kapur, Managing Director of the Company for his re-appointment, with remuneration, for a period of three years, with effect from 22<sup>nd</sup> October, 2011, upon the terms and conditions as approved by the Shareholders. The severance fee shall be as per the provisions of the Companies Act, 1956.

The Shareholders of the Company in the Twenty Seventh Annual General Meeting held on 2<sup>nd</sup> August, 2011, had approved the revised remuneration of Mr. K.M. Deshmukh, Dy. Managing Director of the Company with effect from 1<sup>st</sup> November, 2010 for the remaining period of his appointment i.e., up to 30<sup>th</sup> April, 2012. In this regard, an Agreement dated 2<sup>nd</sup> August, 2011 was executed between the Company and Mr. K.M. Deshmukh. The severance fee shall be as per the provisions of the Companies Act, 1956.

### **Basis for compensation payment to 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 Sections 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 Sections 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 1<sup>st</sup> May, 2012 has decided to pay ₹ 7,90,000/- 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, 2012 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, 2012

<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. Hiroyuki Miyazaki	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	Nil	N.A.
Ms. Ramni Nirula <sup>③</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 Appointed by the Board as Non-Executive Independent Director with effect from 1<sup>st</sup> November, 2011.



## h) Committees of the Board

### i) Audit Committee

As on 31<sup>st</sup> March, 2012, Audit Committee comprises of Mr. Ravi Bhoothalingam, 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 five times during the year on 27<sup>th</sup> April, 2011, 2<sup>nd</sup> August, 2011, 1<sup>st</sup> November, 2011, 3<sup>rd</sup> December, 2011 and 31<sup>st</sup> January, 2012. 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, 2012

Name of Members	Position	Audit Committee Meetings held during the period of Membership	Audit Committee Meetings attended
Mr. Ravi Bhoothalingam (Independent Director)	Chairman	5	5
Mr. P.K. Chadha (Independent Director)	Member	5	4
Mr. Sunjay Kapur (Vice Chairman & Managing Director)	Member	5	5
Lt. Gen. (Retd.) S.S.Mehta (Independent Director)	Member	5	5

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 Auditors 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.
- 12A. Approval of appointment of CFO (i.e., the whole time Finance Director or any other person heading the finance function or discharging that function) after accessing the qualifications, experience and background, etc. of the candidate.
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 Mr. J. M. Kapur and Dr. Surinder Kapur. 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 7<sup>th</sup> April, 2011, 9<sup>th</sup> July, 2011, 10<sup>th</sup> October, 2011 and 9<sup>th</sup> January, 2012. 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, 2012

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 (Non-Executive Director)	Chairman	4	4
Dr. Surinder Kapur (Chairman)	Member	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, 2012, Remuneration Committee comprises of Mr. P.K. Chadha, Mr. Ravi Bhoothalingam, Mr. B.L. Passi and Mr. J.M. Kapur. 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 once during the year on 27<sup>th</sup> April, 2011. 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, 2012

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

iv) **Risk Management Committee**

The Risk Management 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, 2012, Risk Management Committee comprises of Lt.Gen.(Retd.) Shamsher Singh Mehta, Mr. Sunjay Kapur, Mr. P.K. Chadha and Dr. Rakesh Mohan. The purpose of the Committee is 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.

The Committee met three times during the year on 15<sup>th</sup> July, 2011, 3<sup>rd</sup> December, 2011 and 13<sup>th</sup> March, 2012. Minutes of the Risk Management Committee were placed before and discussed by the Board. The attendance record of the Risk Management Committee is presented in Table 7.

Table 7 : Attendance Record of Risk Management Committee for the year ended 31<sup>st</sup> March, 2012

Name of Members	Position	Risk Management Committee Meetings held during the period of Membership	Risk Management Committee Meetings Attended
Lt.Gen.(Retd.) S.S. Mehta (Independent Director)	Chairman	3	3
Mr. Sunjay Kapur (Vice Chairman & Managing Director)	Member	3	1
Mr. P.K. Chadha (Independent Director)	Member	3	3
Dr. Rakesh Mohan (Independent Director)	Member	3	2

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, 2012, Nomination and Governance Committee comprises of Mr. P.K. Chadha, Dr. Surinder Kapur, Mr. J.M. Kapur and Mr. Ramesh Suri. The purpose of the Committee is 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.

The Committee met once during the year on 1<sup>st</sup> November, 2011. Minutes of the Nomination and Governance Committee were placed before and discussed by the Board. The attendance record of the Nomination and Governance Committee is presented in Table 8.

Table 8 : Attendance Record of Nomination and Governance Committee for the year ended 31<sup>st</sup> March, 2012

Name of Members	Position	Nomination & Governance Committee Meetings held during the period of Membership	Nomination & Governance Committee Meetings Attended
Mr. P.K. Chadha (Independent Director)	Chairman	1	1
Dr. Surinder Kapur (Chairman)	Member	1	1
Mr. J.M. Kapur (Non-Executive Director)	Member	1	0
Mr. Ramesh Suri (Independent Director)	Member	1	1

## 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.sonakoyosteering.com](http://www.sonakoyosteering.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**

The Company has an Enterprise-wide Risk Management (ERM) system in place. Increasing its focus on risk management, an independent Risk Management Committee of the Board was constituted last year, to oversee and review in greater detail, the risk management framework, assessment of risks and management and minimization procedures. The Risk Management Committee reports its findings / observations to the Board. During the year, detailed presentations were made to the Risk Management Committee on ERM.

**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) 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 along with this 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 shall retire from office.

Accordingly, Mr. P.K. Chadha, Mr. Ramesh Suri and Lt.Gen.(Retd.) Shamsheer Singh Mehta shall retire at the forthcoming Annual General Meeting of the Company and being eligible, offer themselves for re-appointment. Mr. Hiroyuki Miyazaki, who was appointed to fill the casual vacancy arisen due to

withdrawal of nomination of Mr. Waichiro Ijiri by JTEKT, would vacate office at the ensuing Annual General Meeting. Requisite notice has been received from a member in terms of Section 257 of the Companies Act, 1956 proposing the candidature of Mr. Hiroyuki Miyazaki.

During the year, the Board of Directors of Sona in their meeting held on 1<sup>st</sup> November, 2011 appointed Ms. Ramni Nirula as Additional Director of the Company.

The Board of Directors in their meeting held on 1<sup>st</sup> May, 2012 have approved the re-appointment of Dr. Surinder Kapur as Chairman of the Company for a further period of five (5) years, with remuneration, with effect from 28<sup>th</sup> September, 2012.

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

- **Mr. P.K. Chadha** (74 years), is a Management Consultant with clients in Indonesia, Thailand, Japan and India. He retired in November, 1998 from Unilever N.V. Rotterdam, where he was holding the position of Senior Vice President Manufacturing and Supply Chain. He worked with Unilever Companies for over 36 years in India, UK, Japan and the Netherlands. He was on the Board of Hindustan Lever Ltd. from 1980-1985. He functioned as Technical Director of Unilever's subsidiary in Japan for 6 years and as Head of Technology worldwide with Unilever at the Corporate Headquarters in the Netherlands. He serves on the Board of SOWIL Limited and Archies Limited. He is Member of the 'Audit Committee' of Archies Limited. Mr. Chadha holds 35,000 nos. of Equity Shares of ₹ 1/- each of the Company.
- **Mr. Ramesh Suri** (72 years), has Bachelor's Degree of Science. Mr. Ramesh Suri possesses vast experience in automobile suppliers manufacturing industry. He is chairman of Subros Limited, India's first automotive air-conditioning company and at present is the largest automotive air-conditioning system manufacturer in the country. He is the Promoter Director of Bharat Hotels Ltd. India's fastest growing private hotel company, having 17 top line luxury properties with more than 3600 rooms, all under "The Lalit" banner. He is also the President of Step by Step Schools having more than 2400 children, the institution is rated no. 9 in India, no. 6 in NCR and no. 1 in UP, in a short span of 4 years. He is also recipient of Certificate of Special Congressional Recognition for outstanding and invaluable service to the community by member of Congress, USA. Mr. Ramesh Suri is also the Past Chairman (Northern Region) of Automotive Components Manufacturers Association of India (ACMA), Past Chairman of Confederation of Indian Industry, Uttar Pradesh State Council and Member, Confederation of Indian Industry, Northern Regional Council. Some of the Companies where Mr. Ramesh Suri serves as a member of the Board include Subros Limited, Bharat Hotels Limited, Rohan Motors Limited, Prima Telecom Limited, Prime Cellular Limited and Udaipur Hotels Limited. He is a member of Shareholders' Grievance cum Share Transfer Committees of Subros Limited and Bharat Hotels Limited and also member of Audit Committee of Prime Cellular Limited and Prima Telecom Limited. He holds the position of Chairman of the Audit Committees of Fibcom India Limited and Global Autotech Limited. Mr. Ramesh Suri does not hold any Equity Shares of the Company.
- **Lt. Gen.(Retd.) Shamsher Singh Mehta** (68 years), was commissioned into the Army in 1962, he led the only tank column to reach Dacca during the 1971 War for the Liberation of Bangladesh. During his 41 years of service he has held numerous command and staff assignments. Before retiring from the Army in January 2004 he held the prestigious appointment of General Officer Commanding in Chief, Western Command. He was the Director General of Confederation of Indian Industry from May 2006 to April, 2008 and was a Member of the National Security Advisory Board from 2004 to 2006. He is on the board of the Indian Council of World Affairs and a Trustee of the Tribune Trust. Gen. Mehta is a visiting speaker on 'Strategy' and 'Leadership' within and outside the Armed Forces. He serves on the Board of Religare Trustee Company Ltd. and Altran Technologies India Private Limited. He is a member of Audit Committee and chairman of Investor Services Committee of Religare Trustee Company Limited. He does not hold any Equity Shares of the Company.

- **Mr Hiroyuki Miyazaki** (56 years), graduated in Engineering Science from Osaka University in 1980 and joined Koyo Seiko Co. Ltd (currently known as JTEKT Corporation) in the same year. After being promoted to General Manager in 2003, he was transferred to A-Tech in America where he also worked as Head of KSNA North American Technical Centre from 2004. Following the formation of JTEKT Corporation in 2006, he was made General Manager of the Engineering Planning Department for steering systems and, in 2008, he was promoted to Senior General Manager and was given the additional responsibility of steering system development. In 2009, he was promoted to Director, undertaking a wide range of responsibilities for JTEKT's steering system engineering, testing, planning, development as well as purchasing functions. He is a Managing Officer of JTEKT Corporation, Japan and Director on the Board of Faw Koyo Steering Systems Limited, China and Koyo Joint (Thailand) Company Limited, Thailand. He does not hold any Equity Shares of the Company.
- **Ms. Ramni Nirula** (60 years), holds a Bachelor's Degree in Economics and a Master's Degree in Business Administration from Delhi University. Ms. Ramni Nirula retired as Senior General Manager of ICICI Bank Limited. She has more than three decades of experience in the financial services sector, beginning her career with the erstwhile ICICI Limited in 1976 in the project appraisal division. Since then she has held various leadership positions in areas of Project Financing, Strategy, Planning & Resources and Corporate Banking. Ms. Nirula also held key position as Managing Director & CEO of ICICI Securities Limited, the Investment Banking arm of ICICI Bank Limited. Ms. Nirula also headed the Corporate Banking Group for ICICI Bank, Corporate Banking business is the largest business stream of ICICI Bank covering Multi-national Corporate in India, large Indian Corporate and Public Sector undertakings. Ms. Nirula is currently associated with IKP Trust as an advisor and key management team member. Some of the Companies where Ms. Ramni Nirula serves as a member of the Board include Haldia Petrochemicals Limited, Jubilant Food Works Limited, Usha Martin Limited, P.I. Industries Limited, Vardhman Special Steels Limited, Mcleod Russel India Limited and Avantha Power & Infrastructure Limited. She is Chairperson of the 'Share Transfer & Grievance Committee' of P.I. Industries Limited and Jubilant Food Works Limited and a member of the 'Audit Committee' of Utkarsh Micro Finance Private Limited, Vardhman Special Steels Limited, Goldman Sachs Trustee Company (India) Private Limited, Avantha Power & Infrastructure Limited and Jubilant Food Works Limited. She has also been on the Board of non corporate like a leading residential school for girls, a Micro Finance Institution in India and Advisory Council member of ICICI Knowledge Park Trust. Ms. Nirula does not hold any Equity Shares of the Company.
- **Dr. Surinder Kapur** (68 years), is the founder Chairman of Sona Group and a pioneer in the Indian Automobile Components manufacturing industry. Dr. Kapur has done his Doctorate in Mechanical Engineering from Michigan State University, USA and is a recipient of the MSU Distinguished Alumni Award from the Michigan State University Alumni Association. He also holds an MS and B.S. in Engineering from USA. He currently serves as the Chairman of the Industrial Relations Council of Confederation of Indian Industry (CII) and was awarded the CII President's Award for contribution to Mission for 'Innovation in Manufacturing for the year 2006-2007'. Dr. Kapur is a member of the National Manufacturing Competitiveness Council (NMCC) and National Council for Electric Mobility (NCEM). He was a member of Automotive Mission Plan (2006-2016) set up by Ministry of Heavy Industry, Government of India. He has lead the CII's mission on Innovation in Manufacturing and has been Chairman of TPM Club of India. Some of the Companies where Dr. Surinder Kapur serves as a member of the Board include Sona Okegawa Precision Forgings Limited, JTEKT SONA Automotive India Limited, Sona Fuji Kiko Automotive Limited, Asahi India Glass Limited, Cosmo Films Limited, Mahindra Sona Limited and Akme Projects Limited. Dr. Surinder Kapur is the Chairman of 'Audit Committee' of Asahi India Glass Limited and Sona Okegawa Precision Forgings Limited. Dr. Kapur holds 6,000 nos. of Equity Shares of ₹ 1/- each 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.sonakoyosteering.com](http://www.sonakoyosteering.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**

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 9.

Table 9: Date, time and venue of the last three Annual General Meetings

Financial Year (Ended)	Date	Time	Venue
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.
31 <sup>st</sup> March, 2011	2 <sup>nd</sup> August, 2011	10:00 A.M.	Air Force Auditorium Subroto Park New Delhi-110 010.

## g) **Special Resolutions**

In the ensuing 28<sup>th</sup> Annual General Meeting of the Company to be held on 1<sup>st</sup> August, 2012, the shareholders' consent is being sought by way of Special Resolution for:

- Re-appointment of Dr. Surinder Kapur as Chairman of the Company.

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

### 27th Annual General Meeting held on 2nd August, 2011

- 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.

### 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.

## 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 1<sup>st</sup> August, 2012 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 27<sup>th</sup> Annual General Meeting of the Company.

## **COMPLIANCE**

### **Mandatory requirements**

Sona is generally 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 Members 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, 2012 as stipulated in Clause 49 of the Listing Agreement of the Company with Stock Exchange(s) in India.

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 Agreements except Clause 49 III (i) of the said Listing Agreement i.e. *the Independent Director nominated by the Board of Directors of the Company on the Board of Directors of a material non listed Indian subsidiary company is yet to be appointed as a Director by the Board of Directors of the aforesaid material non listed Indian subsidiary company.*

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.

For S.P. Puri & Co.  
Chartered Accountants  
Firm Registration No. 001152N

Place : Gurgaon  
Dated : 1<sup>st</sup> May, 2012

(Rajiv Puri - Partner)  
Membership No. 84318



## ADDITIONAL SHAREHOLDER INFORMATION

### ANNUAL GENERAL MEETING

Date	:	1 <sup>st</sup> August, 2012
Venue	:	The Air Force Auditorium Subroto Park New Delhi 110 010.
Time	:	2.30 P.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, 2012, results were announced on:

• 2 <sup>nd</sup> August, 2011	:	First Quarter
• 1 <sup>st</sup> November, 2011	:	Second Quarter
• 1 <sup>st</sup> February, 2012	:	Third Quarter
• 1 <sup>st</sup> May, 2012	:	Annual

### BOOK CLOSURE

The dates of book closure are from 25<sup>th</sup> July, 2012 to 1<sup>st</sup> August, 2012 inclusive of both days.

### DIVIDEND RATE

A 65% dividend on Equity Share Capital was recommended on 1<sup>st</sup> May, 2012 and subject to approval from the shareholders at the Annual General Meeting, will be paid between 9<sup>th</sup> August, 2012 to 14<sup>th</sup> August, 2012.

### 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, 2012.

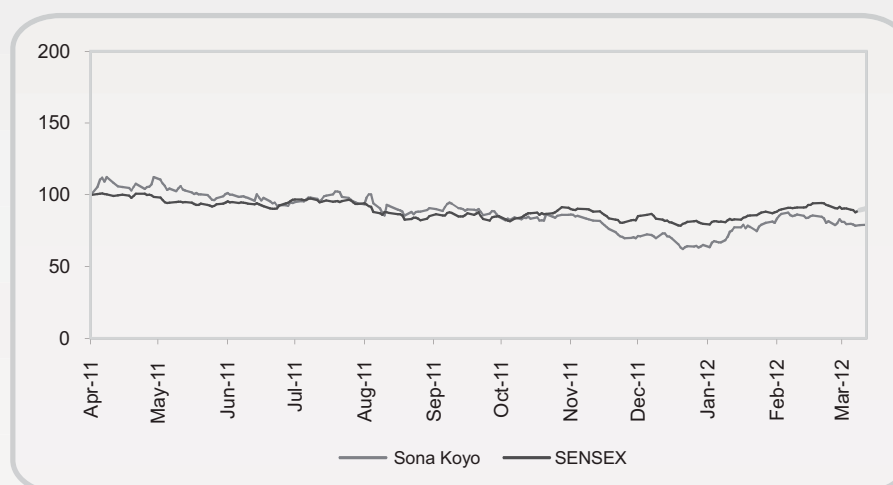
Table 2: Monthly share price\* (In ₹) data and volumes on BSE and NSE

Month and year	BSE			NSE		
	High	Low	Volumes	High	Low	Volumes
April, 2011	19.50	15.90	3298732	20.00	15.65	4221268
May, 2011	19.10	15.85	1213638	19.00	16.00	1478124
June, 2011	17.65	15.25	1140755	17.55	15.10	1391694
July, 2011	17.45	15.60	1009797	17.60	15.65	1546799
August, 2011	17.70	13.20	2168522	17.70	14.00	3116795
September, 2011	16.20	13.90	920707	16.20	13.75	1133086
October, 2011	15.00	13.50	543942	14.85	13.55	829292
November, 2011	14.80	11.50	519771	14.70	10.15	897311
December, 2011	13.00	10.26	459586	13.00	10.20	801318
January, 2012	13.99	10.55	486247	14.05	10.50	988439
February, 2012	15.15	13.01	2183307	15.10	13.00	2397795
March, 2012	14.00	9.00	2597590	14.15	10.55	1865231

Note: 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.

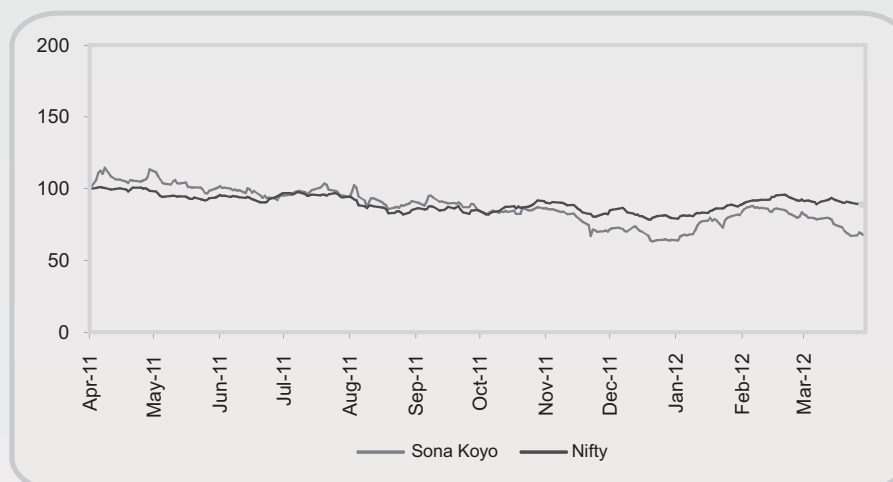
\* Face Value of Sona's share is ₹ 1/- each.

Chart A: Sona's adjusted closing share price with BSE Sensex for 2011-2012.



Note: Sona Koyo share price at the BSE and the BSE Sensex have been indexed to 100 as on the first working day of 2011-12.

Chart B: Sona's adjusted closing share price with Nifty for 2011-2012.



Note: Sona Koyo share prices at the NSE and the NSE Nifty have been indexed to 100 as on the first working day of 2011-12.

## DISTRIBUTION OF SHAREHOLDING

Table 3 and 4 give the distribution pattern of shareholding of Sona as on 31<sup>st</sup> March, 2012.

Table 3 : Distribution of shareholding by size class as on 31<sup>st</sup> March, 2012.

Amount	Number of shareholders	Number of shares held	Shareholding %
Upto 5000	45351	29383078	14.78 %
5001-10000	1099	8221520	4.14 %
10001-20000	449	6592999	3.32 %
20001-30000	136	3434860	1.73 %
30001-40000	60	2153543	1.08 %
40001-50000	26	1212410	0.61 %
50001-100000	65	4593156	2.31 %
100001 & above	68	143150266	72.03 %
Total	47254	198741832	100.00 %

Table 4: Distribution of shareholding by ownership as on 31<sup>st</sup> March, 2012

Category Code	Category of Shareholder	Number of Share Holders	Total Number of Shares	Number of shares held in Dematerialized 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
<b>A)</b>	<b>Shareholding of Promoter and Promoter Group</b>							
1	Indian							
a)	Individuals/Hindu Undivided Family	12	948760	948760	0.48	0.48	0.00	0.00
b)	Central Government/State Government(s)	0	0	0	0.00	0.00	0.00	0.00
c)	Bodies Corporate	3	63748304	63748304	32.08	32.08	0.00	0.00
d)	Financial Institutions / Banks	0	0	0	0.00	0.00	0.00	0.00
e)	Any Other	0	0	0	0.00	0.00	0.00	0.00
	Sub-Total (A)(1)	15	64697064	64697064	32.55	32.55	0.00	0.00
2	Foreign							
a)	Individuals (Non-Resident Individuals/Foreign Individuals)	0	0	0	0.00	0.00	0.00	0.00
b)	Bodies Corporate	1	39947108	39947108	20.10	20.10	0.00	0.00
c)	Institutions	0	0	0	0.00	0.00	0.00	0.00
d)	Any Other	0	0	0	0.00	0.00	0.00	0.00
	Sub-Total (A)(2)	1	39947108	39947108	20.10	20.10	0.00	0.00
	Total Shareholding of Promoter and Promoter Group (A1 + A2)	16	104644172	104644172	52.65	52.65	0.00	0.00
<b>B)</b>	<b>Public Shareholding</b>							
1	Institutions						NA	NA
a)	Mutual Funds/UTI	4	1081146	1075146	0.54	0.54		
b)	Financial Institutions / Banks	1	1300	1300	0.00	0.00		
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	4	1277929	1277929	0.64	0.64		
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)	10	3560375	3554375	1.79	1.79		

2	Non-Institutions						NA	NA
a)	Bodies Corporate	670	18888855	18877255	9.50	9.50		
b)	Individuals							
	i) Individual shareholders holding nominal share capital upto ₹1 lakh	45494	48557146	46597560	24.43	24.43		
	ii) Individual shareholders holding nominal share capital in excess of ₹1 lakh	36	13003697	13003697	6.54	6.54		
c)	Any Other							
	Trust	3	2500	2500	0.00	0.00		
	HUF	975	4475257	4475257	2.25	2.25		
	Clearing Members	49	47027	47027	0.02	0.02		
	Sona Koyo Steering Systems Ltd.- Unclaimed Suspense Account *	1	5562803	5562803	2.80	2.80		
	Sub-Total (B)(2)	47228	90537285	88566099	45.56	45.56		
	Total Public Shareholding (B) = (B1+B2)	47238	94097660	92120474	47.35	47.35	NA	NA
	Total (A)+(B)	47254	198741832	196764646	100.00	100.00		
C)	Shares held by Custodians and against which Depository Receipts have been issued	0	0	0	0.00	0.00		
1	Promoter and Promoter Group	0	0	0	0.00	0.00		
2	Public	0	0	0	0.00	0.00		
	Grand Total (A) + (B) + (C)	47254	198741832	196764646	100.00	100.00		

\* As per SEBI Circular No. CIR / CFD / DIL /10 / 2010 Dated 16th December, 2010 the unclaimed Equity Shares of the Company have been consolidated under this Account

## SHARES HELD IN PHYSICAL AND DEMATERIALIZED FORM

As on 31<sup>st</sup> March, 2012, 99.01 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, which are held in dematerialized form.

## EQUITY SHARES IN THE SUSPENSE ACCOUNT

In compliance with the terms of Clause 5A of the Listing Agreement, the Company has transferred all the unclaimed Equity Shares of ₹ 1/- each in the Demat Account, in respect of which no response was received from the shareholders even after sending the three reminders to claim the shares. The said Demat Account titled as 'Sona Koyo Steering Systems Limited – Unclaimed Suspense Account' has been opened with Karvy Stock Broking Limited, Depository Participant. The Equity Shares transferred to said Unclaimed Suspense Account belong to the members who are still holding the old Share Certificates pertaining to the Equity Shares of the Face Value of ₹ 10/- or ₹ 2/- each. The Company releases the Equity Shares from the said Demat Account, as and when it receives any valid request from the shareholder.



Table 5 gives the details of Equity Shares held in the Unclaimed Suspense Account.

Table 5: The details of Equity Shares held in the Unclaimed Suspense Account as on 31<sup>st</sup> March, 2012

Sl.No.	Particulars	No. of Shareholders	Number of Equity Shares
1.	Aggregate number of shareholders and the outstanding shares lying in the Unclaimed Suspense Account at the time of dematerialization.	3,467	55,82,603
2.	Number of shareholders who approached the issuer for transfer of shares from the Unclaimed Suspense Account after dematerialization of unclaimed shares.	8	19,800
3.	Number of shareholders to whom shares were transferred from the Unclaimed Suspense Account after dematerialization of unclaimed shares.	8	19,800
4.	Aggregate number of shareholders and the outstanding shares in the Suspense Account as on 31 <sup>st</sup> March, 2012.	3,459	55,62,803

## 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 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:

- |   |   |
|---|---|
| <p>1) Karvy Computershare Pvt. Ltd.<br/>(Unit : Sona Koyo Steering Systems Limited)<br/>305, New Delhi House,<br/>27, Barakhamba Road, Connaught Place,<br/>New Delhi – 110 001</p> | <p>2) The Company Secretary<br/>Sona Koyo Steering Systems Ltd.<br/>UGF-6, Indra Prakash<br/>21, Barakhamba Road<br/>New Delhi – 110 001.</p> |
|---|---|

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 other authorized person(s), and accordingly the share transfer formalities are being adhered to at least once in a week.

## 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 6 gives the date

of dividend declaration or payment since 2005 and the corresponding dates when unclaimed dividends are due to be transferred to the Central Government. Table 7 gives the unclaimed dividend amount since 2005.

Table 6: Date of transferring unclaimed dividend to the Central Government

Year	Type	Date of declaration	Date due for transfer to Central Government
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
2011	Final	2 <sup>nd</sup> August, 2011	1 <sup>st</sup> September, 2018

Table 7: Unclaimed dividend as on 31<sup>st</sup> March, 2012

Year	Type	No. of warrants issued	No. of warrants unclaimed	% unclaimed	Amount of dividend (₹ / Lacs)	Dividend unclaimed (₹ / Lacs)	% unclaimed
2005	Final	22054	1297	5.88	439.67	5.96	1.36
2006	Final	32137	1453	4.52	439.67	5.62	1.28
2007	Final	31875	2098	6.58	678.64	7.43	1.09
2008	Final	28886	2293	7.94	695.61	7.02	1.01
2010	Final	39648	3200	8.07	596.23	8.52	1.43
2011	Final	49286	4775	9.69	1291.85	19.00	1.47

## NUMBER AND NATURE OF COMPLAINTS REGARDING SHARES

Table 8 gives the data on Investors' complaints during the year ended 31<sup>st</sup> March, 2012.

Table 8: Details of Investor complaints regarding shares for the year 2011-2012

Nature of complaint	Number of complaints	Number redressed
Non-receipt of dividend / Interest / Redemption	8	8
Non-receipt of Share Certificate	1	1
Non-receipt of Annual Report	4	4
Others	2	2
Total	15	15

## PLANTS' 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, Gujrat.
- Plot No. 19, Industrial Area, Dharuhera, Dist. Rewari (Haryana).
- Village Malpura, Tehsil Dharuhera, Dist. Rewari (Haryana)

## 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, Sunder Rajan, Chief Executive Officer, Rajiv Chanana, Chief Financial Officer and Sunjay Kapur, Vice Chairman & Managing Director 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 : Gurgaon

Sunder Rajan

Rajiv Chanana

Sunjay Kapur

Dated : 1<sup>st</sup> May, 2012

Chief Executive Officer

Chief Financial Officer

Vice Chairman & Managing Director

#### **DECLARATION OF THE MANAGING DIRECTOR**

This is to certify that the Company had laid down Code of Conduct of the Board Members and the Senior Management Personnel of the Company and the same is uploaded on the website ([www.sonakoyosteering.com](http://www.sonakoyosteering.com)).

Further certified that the Members of the Board of Directors and Senior Management Personnel have affirmed the compliance with the Code applicable to them during the year 31<sup>st</sup> March, 2012.

Place : Gurgaon

Date : 1<sup>st</sup> May, 2012

For Sona Koyo Steering Systems Limited

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, 2012.

#### Performance

	2011-12 ₹/Lacs	2010-11 ₹/Lacs
Sales and Other Income	114449	103834
Profit before Interest & Depreciation	12331	11167
- Interest	3369	3173
- Depreciation & Write Offs	3334	2844
Profit before Tax	5628	5150
Less : Provision for Tax	1515	1030
Provision for Deferred Tax Liability/(Assets)	231	710
Earlier Years excess provision of tax written back	-	(69)
Minimum alternate tax (MAT) credit entitlement	(2)	(262)
Profit after Tax	3884	3741
Add : Profit Brought Forward	2456	617
Profit available for appropriations	<u>6340</u>	<u>4358</u>

#### Appropriations

Proposed Dividend	1292	1292
Tax on Dividend	210	210
Transfer to General Reserve	450	400
Balance Carried Forward	<u>4388</u>	<u>2456</u>
	<u>6340</u>	<u>4358</u>

#### Dividend

Your Directors have recommended a Dividend of 65% on Equity Share Capital of the Company for the Financial Year 2011-2012 that is at the same rate declared 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, 2012, JSAL has achieved total income of ₹ 380.44 crores and earned net profit of ₹ 23.26 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, 2012, SFAL has achieved total income of ₹ 35.85 crores and earned net profit of Rs. 1.71 crores.

##### c) Sona Stampings Limited (SSL)

In SSL, the Company is holding 69.92% of the Equity Capital. 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. During the year, SSL has shifted its factory premises from Farukhnagar to new industrial location at Plot No. 731, Sector 37C, Pace City-II, Gurgaon to smoothen its operations. During the year ended 31<sup>st</sup> March, 2012, SSL has achieved total income of ₹ 11.85 crores and incurred loss of ₹ 4.02 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, statement of profit and loss, 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. 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, Mr. Hiroyuki Miyazaki was appointed as a Director of the Company to fill the casual vacancy caused due to withdrawal of nomination of Mr. Waichiro Ijiri, by JTEKT Corporation, Japan. He shall retire at the forthcoming Annual General Meeting pursuant to the provisions of Section 262 of the Companies Act, 1956.

The Board of Directors of the Company in its meeting held on 1<sup>st</sup> November, 2011 have appointed Ms. Ramni Nirula as an Additional Director of the Company. She shall hold office up to the ensuing Annual General Meeting of the Company, pursuant to the provisions of Section 260 of the Companies Act, 1956. Requisite notices have been received under Section 257 from the members for the appointment of Mr. Hiroyuki Miyazaki and Ms. Ramni Nirula.

As the existing tenure of the appointment of Dr. Surinder Kapur, Chairman of the Company is expiring on 27<sup>th</sup> September, 2012, the Board of Directors of the Company in its meeting held on 1<sup>st</sup> May, 2012 have, subject to the approval of Shareholders and such sanction(s) as may be necessary, approved the re-appointment of Dr. Surinder Kapur as Chairman of the Company for a further period of five years, with remuneration, effective from 28<sup>th</sup> September, 2012, on the revised terms and conditions.

The requisite resolutions pertaining to the appointment of Mr. Hiroyuki Miyazaki & Ms. Ramni Nirula and re-appointment of Dr. Surinder Kapur as detailed at Item Nos. 7, 8 & 9 of the Notice and relevant Explanatory Statement is commended for the Members' approval.

Pursuant to Article 122 of the Articles of Association of the Company Mr. P.K. Chadha, Mr. Ramesh Suri and Lt.Gen.(Retd.) Shamsheer Singh Mehta 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:

- 1) Mr. Ravi Bhoothalingam, Chairman
- 2) Mr. P.K. Chadha, Member
- 3) Mr. Sunjay Kapur, Member
- 4) Lt. Gen. (Retd.) Shamsheer Singh Mehta, Member

The Board of Directors of the Company in their meeting held on 1<sup>st</sup> May, 2012 have re-constituted the Audit Committee of Directors.

The Audit Committee of Directors of the Company now consists of the following members:

- 1) Mr. Ravi Bhoothalingam, Chairman
- 2) Mr. P.K. Chadha, Member
- 3) Mr. Sunjay Kapur, Member
- 4) Lt. Gen. (Retd.) Shamsheer Singh Mehta, Member
- 5) Ms. Ramni Nirula, 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, 2012 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 : Gurgaon  
Dated : 1<sup>st</sup> May, 2012

Dr. Surinder Kapur  
Chairman

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

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

Power and Fuel Consumption	2011-2012					2010-2011			
	Gurgaon*	Dharuhera**	Chennai#	Sanand##	Dharuhera(2)	Gurgaon	Dharuhera	Chennai	Sanand
1. HSEB/TNEB/UGVCL Power(Units) purchased (KWH)	5213606	1241472	1783460	370528	30360	4053456	1182240	2108148	38872
Total Amount	₹ 27134336	7095921	10068210	2563379	297085	21019359	6686488	11462654	302640
Rate per unit	₹ 5.20	5.72	5.65	6.92	9.97	5.19	5.66	5.44	7.79
2. Captive Generation(Units) DG Set (KWH)	4617448	2152382	2593175	—	249040	1674978	1870506	1959097	—
Total Amount	₹ 44408828	25491361	32096094	—	2927288	16442200	21248472	24561934	—
Rate per unit	₹ 9.62	11.84	12.38	—	11.75	9.82	11.36	12.54	—
3. Diesel Consumption(Litres)	423531	601295	742720	—	80420	502694	541698	614867	—
Total Amount	₹ 15147390	21196308	31375823	—	2927288	16442200	17411883	23841663	—
Rate per litre	₹ 35.76	35.25	42.24	—	36.40	34.43	32.15	38.78	—
Litre per unit	0.29	0.28	0.29	—	0.32	0.3	0.29	3.19	—
4. Furnace Oil Consumption(Litres)	849270	—	—	—	—	1338113	—	—	—
Total Amount	₹ 29261438	—	—	—	—	35421411	—	—	—
Rate per litre	₹ 34.45	—	—	—	—	33.00	—	—	—
Litre per unit	0.27	—	—	—	—	0.27	—	—	—

**\* Total saving achieved at Gurgaon Plant during Financial Year 2011-12 (₹ 4.20 lacs)**

Above Saving achieved by taking the following initiatives :

- 1) Installation of Stabilizer for overhead plant tube lights.
- 2) Upgrade the dampers in plant 1&2 FDV.
- 3) Installation of CFL type street lights on 52 locations.
- 4) In-house inspection & repairing of Plug in box.
- 5) In-house inspection & repairing of shell & tube type heat exchanger.

**\*\* Total saving achieved at Dharuhera Plant during Financial Year 2011-12 (₹ 33.30 lacs)**

Above Saving achieved by taking the following initiatives :

- 1) Installed Fuel saver Conister on (DG-2 500KA) to increase the Fuel Efficiency from 3.40 TO 3.60 Units/Litres.
- 2) Installed Motion Sensor for ON-OFF production line lights during Lunch/Dinner/Tea Time.
- 3) Installation of timer to ON-OFF FDV/AC during Lunch/Dinner/Tea Time.
- 4) Provide separate switch for Torson Bar Soft line and Torson Bar Hard line/Handle Joint Line and Middle Shaft Line.

**# Total saving achieved at Chennai Plant during Financial Year 2011-12 (₹ 8.00 lacs)**

Above Saving achieved by taking the following initiatives :

- 1) Major contribution is by utilization of 100% Maximum demand from TNEB during the month of August & September. This resulted in saving of diesel from 62 kilo litre per month to 56 kilo litre in August 2011 and 46 kilo litre in September 2011.

**## Total saving achieved at Sanand Plant during Financial Year 2011-12 (₹ 4.30 lacs)**

Above Saving achieved by taking the following initiatives :

- 1) Switching off Compressor(22 kw) during lunch/Dinner time - saving of 12 units per day
- 2) Switching off 4 FDVs (11kw each) during Tea/Lunch/Dinner time - saving of 50 units per day
- 3) Switching off lights during Tea/Lunch/Dinner time - saving of 3 units per day
- 4) To arrest air leakage from quality gauge's air regulators.
- 5) Engery meter installation at- FDV, Compressor, ETP/STP, New Washing M/c and production line to monitor power consumption.
- 6) Hours meter installation at ETP/STP,FDV , Washing M/c and Compressor .
- 7) Using Pedestal Fan instead of FDV at production line when either 3 or less operators are working - saving of 150 units per day.

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

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### A. Technology Absorption

- |   |   |
|---|---|
| <p>1. Efforts in brief towards Technology Adoption and Innovation.</p>  | <p>a) Design and development of high performance R&amp;P steering gear for C-EPS system for a large volume B-segment car project.</p> <p>b) Design and development of speed sensitive hydraulic power steering with electronic control.</p> <p>c) Design and development of "Rake &amp; Reach type" collapsible steering column for export market.</p> <p>d) Patent office has granted patent (#251728) for innovation related to steering column.</p> <p>e) Localization of specific critical components of R&amp;P steering gear and column type electric power steering (CEPS) system.</p>   |
| <p>2. Benefits derived as a result of above efforts e.g. Product Improvement, Cost Reduction, Product Development, Import Substitution etc.</p> | <p>a) Development of high performance steering gear for C-EPS system has helped Company in increasing its sales and achieving self-reliance in developing high performance products.</p> <p>b) With the development of speed sensitive hydraulic power steering, Company aims to offer advanced features for good steering feel and better handling of vehicle at high speeds. This development is first time in the country and Company expects to create a demand in future.</p> <p>c) With the development of "Rake &amp; Reach type" collapsible column, Company is able to meet customer requirements of advance features for export. This will help Company to get more business opportunities.</p> <p>d) With the grant of patent, the efforts for innovation by Company are recognized and Company will be able to protect its intellectual property right in specific area.</p> <p>e) With the localization of critical components of R&amp;P gear and C-EPS system, Company aims to reduce the material cost and lower the risk of being exposed to foreign exchange fluctuation. Company has been able to achieve good results in the area of R&amp;P gear this year and with the completion of planned actions, greater results are expected next year.</p> |

### B. Research and Development

- |   |  |
|---|--|
| <p>1. Specific areas in which R&amp;D carried out by the Company.</p> | <p>a) Research and development activities for manual and power steering for farm tractors have been undertaken. Functional prototypes of electric power assist module for farm tractors developed and fitted in select model of tractors to obtain end user feedback.</p> <p>b) Research and development work to provide speed sensitive based assist in hydraulic power steering for passenger cars using CAN interface and stepper motor.</p> <p>c) Simulation and modeling using MATLAB for development of electric power steering based on brushless motor for off-road vehicles</p> |
|---|--|

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

- 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 developed advanced product technologies having collaborative research work with academic/industrial institutes as well as with potential customers.

3. Expenditure on R&D

- a) Capital Expenditure of ₹ 37.67 lacs.
- b) Revenue Expenditure of ₹ 263.46 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 ₹ 15638.24 lacs. During the year the Company's export sales amounted to ₹ 4424.43 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, 2012

Sl. No.	Name	Age (Years)	Designation/ Nature of Duties	Remuneration (₹)	Qualification(s)	Experience (Years)	Date of Employment	Last Employment (Designation)
1.	Mr. Chopra Sudhir	54	President (Legal) & Company Secretary	1,07,45,549/-	B.Com, FCS, LL.B.	34	15.05.1993	Samtel India Limited (Company Secretary)
2.	Mr. Deshmukh K.M.	58	Dy. Managing Director	1,32,50,100/-	B.Tech (Metallurgy)	35	01.08.1986	Bharat Gears Ltd. (Dy. Manager-Development)
3.	Mr. Kapur Sunjay	38	Vice Chairman & Managing Director	3,16,13,965/-	Graduate in Business Admn. from Buckingham University (UK)	16	22.10.2008	Sona Management Services Ltd. (Managing Director)
4.	Dr. Kapur Surinder	68	Chairman	1,83,62,154/-	Ph.D.(Mech.Engg) Michigan State University (U.S.A.)	38	01.10.1990	Bharat Gears Ltd. (Vice Chairman & Managing Director)
5.	Mr. Rajan Govindrajan Sunder	49	Chief Executive Officer	1,07,99,549/-	B.Sc., MBA & Master of Information Management	27	01.12.2008	Sona Autocomp Holding Private Limited (V.P. – Strategy & Innovations)

### NOTES :

1. 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.
2. 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 2012, the statement of profit and loss 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, statement of profit and loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- iv. In our opinion, the Balance Sheet, statement of profit and loss 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, 2012 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, 2012 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, 2012;
  - b) in the case of the statement of profit and loss, 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  
Firm Registration No. 001152 N

Place : Gurgaon  
Dated: 1<sup>st</sup> May, 2012

(Rajiv Puri - Partner)  
Membership No. 084318



**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, 2012.**

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 third parties and stock-in-transit has been conducted by the management during the year. In respect of inventory lying with third parties, these have substantially 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(e), 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 Companies (Cost Accounting Records) Rules, 2011 prescribed by the Central Government under Section 209(I)(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, 2012 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 Income Tax, 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 Service Tax and Excise Duty have not been deposited by the Company on account of disputes:

Name of the Statute	Nature of dues	Amount (₹ / Lacs)*	Period to which amount relates	Forum where dispute is pending
Central Excise Act, 1944	Wrong availment of cenvat credit & penalty	2.85	2007-2008 & 2008-2009	Commissioner of Appeals (Central Excise & Service Tax)
Central Excise Act, 1944	Wrong availment of Cenvat Credit & Penalty	572.67	2006-2007 to 2008-2009	CESTAT
The Finance Act, 1994 (Service Tax)	Wrong availment of Cenvat Credit & Penalty	86.1	2007-2008 & 2008-2009	Commissioner of Appeals (Central Excise & Service Tax)
The Finance Act, 1994 (Service Tax)	Wrong availment of Cenvat Credit & Penalty	4.08	2009-2010	Commissioner of Appeals (Central Excise & Service Tax)
The Finance Act, 1994 (Service Tax)	Wrong availment of Cenvat Credit & Penalty	17.71	2010-2011	Commissioner of Appeals (Central Excise & Service Tax)
The Finance Act, 1994 (Service Tax)	Wrong availment of Cenvat Credit & Penalty	48.73	2005-2006 to 2009-2010	Commissioner of Appeals (Central Excise & Service Tax)
The Finance Act, 1994 (Service Tax)	Wrong availment of Cenvat Credit & Penalty	9.87	2008-2009 & 2009-2010	Commissioner of Appeals (Central Excise & Service Tax)

\* includes penalty wherever indicated in the order

- 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, 2012, 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  
Firm Registration No. 001152 N

Place : Gurgaon  
Dated: 1<sup>st</sup> May, 2012

(Rajiv Puri - Partner)  
Membership No. 084318

## BALANCE SHEET

### AS AT 31ST MARCH, 2012

Particulars	Note No.	As at 31st March, 2012 (₹/Lacs)	As at 31st March, 2011 (₹/Lacs)
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
Share capital	2	1987.42	1987.42
Reserves and surplus	3	20771.77	18389.46
<b>Sub-total</b>		<b>22759.19</b>	<b>20376.88</b>
<b>Non-current liabilities</b>			
Long-term borrowings	4	18008.23	16338.86
Deferred tax liabilities (net)	5	3220.33	2989.25
Other long term liabilities	6	16.50	41.37
Long-term provisions	7	362.31	351.28
<b>Sub-total</b>		<b>21607.37</b>	<b>19720.76</b>
<b>Current liabilities</b>			
Short-term borrowings	8	1502.27	430.32
Trade payables	9	16721.82	14560.56
Other current liabilities	10	7036.04	6497.01
Short-term provisions	7	1755.17	1633.26
<b>Sub-total</b>		<b>27015.30</b>	<b>23121.15</b>
<b>Total</b>		<b>71381.86</b>	<b>63218.79</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets			
Tangible assets	11	35221.90	29790.27
Intangible assets	11	2108.48	1094.70
Capital work-in-progress		3703.77	1480.58
Intangible assets under development		383.58	923.67
Non-current investments	12	6788.20	6788.20
Long-term loans and advances	13	2089.77	2020.43
Other non-current assets	14	17.86	-
<b>Sub-total</b>		<b>50313.56</b>	<b>42097.85</b>
<b>Current assets</b>			
Inventories	15	3876.17	4724.93
Trade receivables	16	12564.94	11196.44
Cash and bank balances	17	124.73	145.29
Short-term loans and advances	13	2335.54	3449.45
Other current assets	14	2166.92	1604.83
<b>Sub-total</b>		<b>21068.30</b>	<b>21120.94</b>
<b>Total</b>		<b>71381.86</b>	<b>63218.79</b>

Significant accounting policies &  
Notes on financial statements

1 to 46

As per our report of even date  
For S. P. Puri & Co.  
Chartered Accountants  
Firm Registration Number 001152N

For and on behalf of the Board

(Rajiv Puri)  
Partner  
Membership no. : 84318  
Place : Gurgaon  
Dated : 1st May, 2012

Sudhir Chopra  
Company Secretary  
  
Rajiv Chanana  
Chief Financial Officer

Sunjay Kapur  
Vice Chairman & Managing Director  
  
Prem Kumar Chadha  
Director

## STATEMENT OF PROFIT & LOSS

### FOR THE YEAR ENDED 31ST MARCH, 2012

Particulars	Note No.	Year ended 31st March, 2012 (₹/Lacs)	Year ended 31st March, 2011 (₹/Lacs)
<b>Income</b>			
Revenue from operations (gross)	18	127154.33	115518.12
Less : Excise duty		<u>13101.31</u>	<u>12041.45</u>
Revenue from operations (net)		114053.02	103476.67
Other income	19	396.29	357.11
<b>Total revenue (I)</b>		<u><u>114449.31</u></u>	<u><u>103833.78</u></u>
<b>Expenses</b>			
Cost of materials consumed [Refer note 40 (a)]		81407.91	75978.05
Purchases of Stock-In-Trade [Refer note 40 (d)]		1094.66	946.07
Changes in inventories of finished goods, work-in-progress and Stock-In-Trade	20	144.89	(392.63)
Employee benefit expenses	21	9590.46	7564.89
Finance costs	22	3369.47	3172.57
Depreciation and amortization expenses	23	3334.06	2844.78
Research & development expenses	24	263.46	235.09
Other expenses	25	9616.94	8667.49
<b>Total expenses (II)</b>		<u><u>108821.85</u></u>	<u><u>99016.31</u></u>
Profit before exceptional items and tax (I - II)		<u>5627.46</u>	<u>4817.47</u>
Exceptional items - (gain)/loss on sale of long term investments (net)	26	-	(332.18)
<b>Profit before tax</b>		<u><u>5627.46</u></u>	<u><u>5149.65</u></u>
<b>Tax expense</b>			
- Current year		1515.00	1030.00
- Earlier years excess provision of tax written back		-	(69.76)
- Minimum alternate tax (MAT) credit entitlement		(2.32)	(261.72)
- Deferred Tax		231.08	710.00
<b>Total tax expenses</b>		<u><u>1743.76</u></u>	<u><u>1408.52</u></u>
<b>Profit for the year</b>		<u><u>3883.70</u></u>	<u><u>3741.13</u></u>
<b>Earnings per equity share (face value of ₹ 1/- each):</b>			
Basic (in ₹)	27	1.95	1.88
Diluted (in ₹)	27	1.95	1.88

Significant accounting policies &  
Notes on financial statements

1 to 46

As per our report of even date  
For S. P. Puri & Co.  
Chartered Accountants  
Firm Registration Number 001152N

For and on behalf of the Board

(Rajiv Puri)  
Partner  
Membership no. : 84318  
Place : Gurgaon  
Dated : 1st May, 2012

Sudhir Chopra  
Company Secretary  
  
Rajiv Chanana  
Chief Financial Officer

Sunjay Kapur  
Vice Chairman & Managing Director  
  
Prem Kumar Chadha  
Director

## CASH FLOW STATEMENT FOR THE YEAR 2011-12

	Year Ended 31st March, 2012 (₹/Lacs)	Year ended 31st March, 2011 (₹/Lacs)
<b>A. CASH FLOW FROM OPERATING ACTIVITIES :</b>		
Net profit before tax	5627.46	5149.65
Adjustment for :		
Depreciation & amortization	3334.06	2844.78
(Profit)/loss on sale of fixed assets	23.74	13.45
(Profit)/loss on sale of long term investments	-	(332.18)
Dividend from long term investment-trade	(14.00)	(7.00)
Provision for doubtful advances written back	-	(19.61)
Provision for MTM losses	1.06	-
Bad debts/advances written off	-	19.61
Interest expense	2837.44	2620.57
Interest income	(20.67)	(26.11)
Operating profit before working capital changes	6161.63	5113.51
(Increase)/decrease in trade receivables	11789.09	10263.16
(Increase)/decrease in inventories	(1368.51)	(2065.19)
(Increase)/decrease in long term loans & advances	848.75	(822.86)
(Increase)/decrease in other current assets	(69.35)	(1464.40)
(Increase)/decrease in short term loans & advances	(562.09)	514.06
Increase/(decrease) in trade payables	731.49	(1197.70)
Increase/(decrease) in other current liabilities	2161.27	3157.54
Increase/(decrease) in other long term liabilities	878.48	(152.11)
Increase/(decrease) in long term provisions	(24.87)	18.68
Increase/(decrease) in short term provisions	11.03	113.02
Cash generated from operations	120.86	32.74
Income tax paid (net of income tax refund)	2727.06	(1866.22)
Net cash from operating activities	14516.15	8396.94
	(1130.24)	(789.42)
	13385.91	7607.52
<b>B. CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Purchase of fixed assets (including CWIP)	(11389.11)	(4386.13)
Proceeds from sale of fixed assets	170.21	180.51
Proceeds from sale of long term investments	-	925.84
Proceeds for purchase of investment	-	(248.29)
Investment in bank deposits having original maturity of more than 3 months	(17.86)	-
Dividend received	14.00	7.00
Interest received	20.67	26.11
Net cash (used)/raised from investing activities	(11202.09)	(3494.96)
<b>C. CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Proceeds from long term borrowings	6549.28	3318.38
Proceeds from short term borrowings	1071.95	-
Repayment of long term borrowings	(5515.77)	(4053.42)
Repayment of short term borrowings	-	(5.27)
Interest paid	(2808.45)	(2610.31)
Dividend paid	(1291.82)	(596.23)
Tax on dividend paid	(209.57)	(99.03)
Net cash (used)/raised from financing activities	(2204.38)	(4045.88)
Increase/(decrease) in cash & cash equivalents (A+B+C)	(20.56)	66.68
Cash & cash equivalents as at 31.03.2011	145.29	78.61
Cash & cash equivalents as at 31.03.2012	124.73	145.29

### 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 dividend accounts of ₹ 53.55 lacs (previous year ₹ 38.99 lacs) which are not available for use by the Company.
- Change in short term borrowings reflects change in utilization of bank overdraft limits during the year.

As per our report of even date

For S. P. Puri & Co.

Chartered Accountants

Firm Registration Number 001152N

(Rajiv Puri)

Partner

Membership no. : 84318

Place : Gurgaon

52 Dated : 1st May, 2012

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

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012

### NOTE 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 employee's residence are depreciated at the rate of 33.33% per annum.
- Vehicles are depreciated at the rate of 18.75% per annum.

An asset is treated as impaired when the carrying cost of assets exceeds its recoverable value. An impairment loss is charged to the statement of profit and loss 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 amortized over a period of six years. Unamortized products development fee in respect of models discontinued during the year is fully charged off in statement of profit & loss.

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

Amortization expenses are 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 statement of profit and loss 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-progress are valued at lower of weighted average cost and net realisable value.
- d) Finished goods and stock-in-trade are valued at lower of weighted average cost and net realisable value.

Finished goods and work in progress include costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

#### IX. Foreign currency transactions :

##### - Initial recognition:

Foreign currency transactions are recorded on the basis of average of the exchange rates in force during the relevant week of each month.

##### - Conversion:

Foreign currency monetary items are retranslated using the exchange rate prevailing at the reporting date.

##### - Exchange difference:

- A) With respect to long-term foreign currency monetary items, from April 1, 2011 onwards, the Company has adopted the following policy:

- Foreign exchange difference on account of acquisition of depreciable fixed asset, is adjusted in the cost of the depreciable fixed asset, which would be depreciated over the remaining useful life of the asset.
- In other cases, the foreign exchange difference is accumulated in a foreign currency monetary item translation difference account, and amortised over the remaining life of the concerned long term monetary item.

A monetary asset or liability is termed as a long-term foreign currency monetary item, if the monetary asset or liability is expressed in a foreign currency and has a term of 12 months or more at the date of its origination.

- B) Other gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit and loss.

##### - Forward exchange contracts:

In case of forward exchange contracts, the premium or discount arising at the inception of forward exchange contracts entered into to hedge an existing asset / liability, is amortized as expense or income over the life of the contract. Exchange differences on such a contract are recognized in the statement of profit & loss in the reporting period in which the exchange rate changes.

Forward exchange contracts outstanding as at the year end on account of firm commitment / highly probable forecast transactions are marked to market and the losses, if any, are recognized in the statement of profit & loss while gains are ignored.

#### 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 statement of profit & loss 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 from investments is recognized when the right to receive the payment is established and when no significant uncertainty as to measurability or collectability exists.

- 4) All export benefits are recognised as income when there is substantial certainty as their realisability e.g.
  - a) DEPB license & focused product scheme 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 ₹ 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. Employee benefits :

##### - Provident fund

Contributions to defined contribution schemes such as provident fund, etc. are charged to the statement of profit and loss 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. Provisions & 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.

Particulars	As at 31st March, 2012 (₹ / Lacs)	As at 31st March, 2011 (₹ / Lacs)
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## NOTE 2 - SHARE CAPITAL

<b>Authorised shares (in nos.)</b>	<b>2500.00</b>	<b>2500.00</b>
25,00,00,000 (previous year 25,00,00,000) equity shares of ₹ 1/- each		
<b>Issued, subscribed and paid up shares (in nos.)</b>	<b>1987.42</b>	<b>1987.42</b>
19,87,41,832 (previous year 19,87,41,832) equity shares of ₹ 1/- each fully paid up		
	<b>1987.42</b>	<b>1987.42</b>

### a) Reconciliation of the equity shares outstanding at the beginning and at the end of reporting year

Reconciliation	As at 31st March, 2012		As at 31st March, 2011	
	(Nos.)	(₹ / Lacs)	(Nos.)	(₹ / Lacs)
Shares outstanding at the beginning of the year	19,87,41,832	1987.42	19,87,41,832	1987.42
Shares issued during the year	-	-	-	-
Shares bought back during the year	-	-	-	-
<b>Shares outstanding at the end of the year</b>	<b>19,87,41,832</b>	<b>1987.42</b>	<b>19,87,41,832</b>	<b>1987.42</b>

### b) Terms/rights attached to equity shares

The Company has only one class of equity shares having a par value of ₹ 1/- per share. Each holder of equity shares is entitled to one vote per share. The dividend proposed by the board of directors is subject to the approval of the shareholders in the ensuing annual general meeting.

### c) Detail of shareholders holding more than 5% shares in the Company

Name of Shareholder	As at 31st March, 2012		As at 31st March, 2011	
	No. of Shares	% of Holding	No. of Shares	% of Holding
Equity shares of ₹ 1/- each fully paid				
• Sona Autocomp Holding Pvt. Ltd.	4,99,14,664	25.12%	4,99,14,664	25.12%
• JTEKT Corporation	3,99,47,108	20.10%	3,99,47,108	20.10%
• Maruti Suzuki India Ltd.	1,38,00,000	6.94%	1,38,00,000	6.94%

### d) Aggregate number of bonus shares issued during the period of five years immediately preceding the reporting date

Reconciliation	As at 31st March, 2012 (Nos.)	As at 31st March, 2011 (Nos.)
Equity shares allotted as fully paid bonus shares (face value ₹ 1/- per share) by capitalization of capital redemption reserve	8,79,34,000	8,79,34,000

During the financial year 2008-09 the Company had sub-divided the face value of equity share from ₹ 2/- per share to ₹ 1/- per share and the effect of same has been taken into account for disclosure of number of bonus shares.

Particulars	As at 31st March, 2012 (₹/Lacs)	As at 31st March, 2011 (₹/Lacs)
<b>NOTE 3 - RESERVES &amp; SURPLUS</b>		
<b>Capital reserve</b>	<b>0.44</b>	<b>0.44</b>
(On account of re-issue of forfeited equity shares)		
<b>Capital redemption reserve</b>	<b>120.66</b>	<b>120.66</b>
<b>Securities premium account</b>	<b>8921.17</b>	<b>8921.17</b>
<b>General reserve</b>		
Balance as per the last financial statements	6890.71	6490.71
Add: amount transferred from surplus balance in the statement of profit and loss	450.00	400.00
<b>Closing balance</b>	<b>7340.71</b>	<b>6890.71</b>
<b>Surplus in the statement of profit and loss</b>		
Balance as per last financial statements	2456.48	616.74
Profit for the year	3883.70	3741.13
Less: Appropriations		
Proposed dividend (refer note (a) below)	1291.82	1291.82
Tax on proposed dividend	209.57	209.57
Transfer to general reserve	450.00	400.00
<b>Net surplus in the statement of profit and loss</b>	<b>4388.79</b>	<b>2456.48</b>
<b>Total reserve and surplus</b>	<b>20771.77</b>	<b>18389.46</b>

(a) For the year ended 31st March, 2012, the amount of dividend per share proposed to be distributed to equity shareholders is ₹ 0.65 (previous year ₹ 0.65).

Non-current portion		Current maturities	
As at 31st March, 2012 (₹ / Lacs)	As at 31st March, 2011 (₹ / Lacs)	As at 31st March, 2012 (₹ / Lacs)	As at 31st March, 2011 (₹ / Lacs)

#### NOTE 4 - LONG TERM BORROWINGS

##### Term loans

##### From banks

Indian rupee loans from banks (secured)	13219.39	15658.34	3584.01	4208.20
Foreign currency loans from banks (secured)	4302.75	-	255.75	-

##### From others

Indian rupee loan from NBFC (secured)	486.09	680.52	194.43	194.43
	<b>18008.23</b>	<b>16338.86</b>	<b>4034.19</b>	<b>4402.63</b>

Amount disclosed under the head  
"other current liabilities" (refer note 10)

	<b>18008.23</b>	<b>16338.86</b>	<b>-</b>	<b>-</b>
--	-----------------	-----------------	----------	----------

#### 1. Indian rupee loans from banks include:

- (a) Rupee term loans of ₹ 14938.47 lacs (previous year ₹ 16414.35 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 ₹ nil (previous year ₹ 388.89 lacs). Loans to the extent of ₹ 2325.00 lacs (previous year ₹ 1995.00 lacs) are further secured by way of second charge on current assets, on pari passu basis. The rate of interest on aforesaid loans are linked to the specific banks' Prime Lending Rate (PLR).

- (b) Rupees term loan of ₹ 1750.00 lacs (previous year ₹ 3000.00 lacs) from State Bank of India is secured by way of first pari-passu charge on current assets and second parri-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). The rate of interest on aforesaid loan is linked to bank's Prime Lending Rate (PLR).
- (c) Rupee term Loan of ₹ 114.93 lacs (previous year ₹ 63.30 lacs) from Allahabad Bank, secured by way of exclusive charge on the vehicles financed out of the said term loan. The rate of interest on aforesaid loan is linked to bank's Prime Lending Rate (PLR).

## 2. Indian rupee loan from NBFC include :

Term loan of ₹ 680.52 lacs (previous year ₹ 874.95 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. The rate of interest on aforesaid loan is linked to NBFC's Prime Lending Rate (PLR).

## 3. Foreign currency loans from banks include :

Foreign currency loan of USD 4 million equivalent to ₹ 2046.00 lacs (previous year ₹ nil) from Standard Chartered Bank is secured by first charge on movable and immovable fixed assets except assets exclusively charged to other banks. The loan carries interest @ LIBOR plus 3%.

Foreign currency loan of USD 5 million equivalent to ₹ 2512.50 lacs (previous year ₹ nil) from Standard Chartered Bank on fully hedged basis is secured by first charge on movable and immovable fixed assets except assets exclusively charged to other banks. The loan carries interest @ 10.28% p.a.

## 4. Terms of Repayment:

The above said loans are repayable as per the repayment schedule given below :

(₹ / Lacs)

Sl.No.	Loan amount	No. of instalments due	Each instalment amount	Periodicity	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
1.	6751.35	18	375.00	Quarterly	1125.00	1500.00	1500.00	1500.00	1126.34	-
2.	3979.00	19	229.20	Quarterly	687.60	916.80	916.80	916.80	541.00	-
3.	1750.00	7	250.00	Quarterly	750.00	1000.00	-	-	-	-
4.	2325.00	15	155.00	Quarterly	620.00	620.00	620.00	465.00	-	-
5.	924.79	19	50.00	Quarterly	200.00	200.00	200.00	200.00	124.78	-
6.	958.33	23	41.67	Quarterly	166.67	166.67	166.67	166.67	166.67	125.00
7.	680.52	14	48.61	Quarterly	194.43	194.43	194.43	97.22	-	-
8.	2046.00	8	255.75	Half Yearly	255.75	511.50	511.50	511.50	255.75	-
9.	2512.50	16	157.03	Quarterly	-	628.13	628.13	628.13	628.12	-
10.	114.93		2.90	Monthly	34.74	34.74	34.74	10.71	-	-
	22042.42				4034.19	5772.27	4772.27	4496.03	2842.66	125.00

Particulars	As at 31st March, 2012 (₹ / Lacs)	As at 31st March, 2011 (₹ / Lacs)
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#### NOTE 5 - DEFERRED TAX LIABILITIES (NET)

<b>Deferred tax liability</b>		
Depreciation	3532.89	3179.94
<b>Gross deferred tax liability</b>	<b>3532.89</b>	<b>3179.94</b>
<b>Deferred tax assets</b>		
Impact of expenditure charged to the statement of profit and loss in the current year but allowed for tax purposes on payment basis	280.11	190.69
Impact of payment made during the year and allowable for tax in subsequent year on the basis of payment of TDS thereon	32.45	-
	<b>312.56</b>	<b>190.69</b>
<b>Net deferred tax liability/(asset)</b>	<b>3220.33</b>	<b>2989.25</b>

#### NOTE 6 - OTHER LONG TERM LIABILITIES

Security deposit	16.50	16.50
Other payables *	-	24.87
	<b>16.50</b>	<b>41.37</b>

\* Other payables comprises of dues on account of capital items.

Long-term		Short-term	
As at 31st March, 2012 (₹ / Lacs)	As at 31st March, 2011 (₹ / Lacs)	As at 31st March, 2012 (₹ / Lacs)	As at 31st March, 2011 (₹ / Lacs)

#### NOTE 7 - PROVISIONS

<b>Provision for employee benefits</b>				
Leave encashment (refer note 28)	327.31	321.28	39.12	41.87
	<b>327.31</b>	<b>321.28</b>	<b>39.12</b>	<b>41.87</b>
<b>Other provisions</b>				
Provision for income tax [(net of advance tax and TDS of ₹ 3787.61 lacs (previous year nil)]	-	-	108.60	-
Proposed dividend	-	-	1291.82	1291.82
Corporate dividend tax	-	-	209.57	209.57
Warranty claims	35.00	30.00	105.00	90.00
Provision for MTM losses	-	-	1.06	-
	<b>35.00</b>	<b>30.00</b>	<b>1716.05</b>	<b>1591.39</b>
	<b>362.31</b>	<b>351.28</b>	<b>1755.17</b>	<b>1633.26</b>

As at 31st March, 2012 (₹ / Lacs)	As at 31st March, 2011 (₹ / Lacs)
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#### NOTE 8 - SHORT TERM BORROWINGS

Cash credit / other loans repayable on demand from banks (secured)	1502.27	430.32
	<b>1502.27</b>	<b>430.32</b>

Cash credit / other loans repayable on demand from banks are secured by hypothecation of inventories, book debts and other receivables both present & future and second pari-passu charge on movable and immovable fixed assets of the Company.



Particulars	As at 31st March, 2012 (₹ / Lacs)	As at 31st March, 2011 (₹ / Lacs)
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#### NOTE 9 - TRADE PAYABLES

Trade payables (including acceptances) (refer note 42 for details of dues to micro and small enterprises)	16721.82	14560.56
	<b>16721.82</b>	<b>14560.56</b>

#### NOTE 10 - OTHER CURRENT LIABILITIES

Current maturities of long-term borrowings (refer note 4)	4034.19	4402.63
Interest accrued but not due on borrowings	50.78	21.79
Unclaimed dividends *	53.55	38.99
Security deposits	21.19	8.69
Advance from customers	259.30	199.69
Taxes payable **	769.60	541.69
Other payables***	1847.43	1283.53
	<b>7036.04</b>	<b>6497.01</b>

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

\*\* Taxes payable includes withholding tax, excise, sales tax etc.

\*\*\* Other payables includes, payment due to employees, dues on account of capital items, contribution to PF, ESI, etc.

#### NOTE 11 - FIXED ASSETS

(₹ /Lacs)

Sl.	Assets	Gross block (at cost)				Depreciation/Amortization				Net block		
No.		As at 01.04.11	Additions	Sales/ disposal	Other adjustments*	As at 31.03.12	As at 01.04.11	For the year	Written back	Up to 31.03.12	As at 31.03.12	As at 31.03.11
Tangible assets												
1.	Freehold land	1949.04	-	-	-	1949.04	-	-	-	-	1949.04	1949.04
2.	Leasehold land	221.50	-	-	-	221.50*	2.76	2.55	-	5.31	216.19	218.74
3.	Buildings	5882.76	2260.32	-	210.51	8353.59**	1090.42	234.08	-	1324.50	7029.09	4792.34
4.	Leasehold improvements	19.51	-	-	-	19.51	4.24	3.90	-	8.14	11.37	15.27
5.	Plant & machinery	33512.34	4751.44	33.29	225.56	38456.05	13846.66	2290.27	29.85	16107.08	22348.97	19665.68
6.	Jigs & fixtures	413.39	88.50	-	-	501.89	153.39	31.83	-	185.22	316.67	260.00
7.	Electric installations	1855.53	453.87	-	4.37	2313.77	591.08	142.89	-	733.97	1579.80	1264.45
8.	Furniture & fixtures	692.62	78.93	-	-	771.55	338.80	39.41	-	378.21	393.34	353.82
9.	Office equipments	2116.00	235.81	542.99	-	1808.82	1432.13	145.17	515.46	1061.84	746.98	683.87
10.	Vehicles	354.64	109.70	33.39	-	430.95	109.18	65.27	29.23	145.22	285.73	245.46
11.	R&D-plant & machinery	439.56	18.53	-	-	458.09	103.55	24.52	-	128.07	330.02	336.01
12.	R&D-office equipments	88.34	12.54	-	-	100.88	82.75	3.43	-	86.18	14.70	5.59
Sub total		47545.23	8009.64	609.67	440.44	55385.64	17754.96	2983.32	574.54	20163.74	35221.90	29790.27
Previous year		44524.96	3484.20	463.93	-	47545.23	15419.80	2605.15	269.99	17754.96	29790.27	
Intangible assets												
1.	R&D-computer softwares	55.73	6.60	-	-	62.33	35.93	8.60	-	44.53	17.80	19.80
2.	Computer softwares	42.45	390.96	-	-	433.41	18.36	37.11	-	55.47	377.94	24.09
3.	New product development	1610.67	966.96	-	-	2577.63	559.86	305.03	-	864.89	1712.74	1050.81
Sub total		1708.85	1364.52	-	-	3073.37	614.15	350.74	-	964.89	2108.48	1094.70
Previous year		1248.74	460.11	-	-	1708.85	374.52	239.63	-	614.15	1094.70	
Total		49254.08	9374.16	609.67	440.44	58459.01	18369.11	3334.06	574.54	21128.63	37330.38	30884.97
Previous year		45773.70	3944.31	463.93	-	49254.08	15794.32	2844.78	269.99	18369.11	30884.97	
Capital work in progress - tangible assets											3703.77	1480.58
Capital work in progress - intangible assets											383.58	923.67
											4087.35	2404.25

\* Leasehold land includes ₹ 221.50 lacs (previous year ₹ 221.50 lacs) in respect of which lease deed is pending for execution.

\*\* Includes 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.

# Other adjustments comprises of borrowing cost and foreign currency exchange differences.

Particulars	As at 31st March, 2012 (₹ / Lacs)	As at 31st March, 2011 (₹ / Lacs)
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## NOTE 12 - NON CURRENT INVESTMENTS

### Trade Investments (valued at cost unless stated otherwise)

#### Unquoted equity instruments, fully paid up

1,33,334 (previous year 1,33,334) equity shares of ₹ 10/- each in Roop Automotive Ltd. 20.00 20.00

49,29,636 (previous year 49,29,636) equity shares of Euro 1 each, in Fuji Autotech Europe S.A.S. (incorporated in France) 2932.10 2932.10

#### In Subsidiary Companies:

50,99,993 (previous year 50,99,993) equity shares of ₹ 10/- each, in Sona Fuji Kiko Automotive Ltd. 510.00 510.00

2,77,78,094 (previous year 2,77,78,094) equity shares of ₹ 10/- each, in JTEKT Sona Automotive India Ltd. 2777.81 2777.81

1,41,778 (previous year 37,142) Equity shares of ₹ 100/- each, in Sona Stampings Ltd. (1,04,636 equity shares acquired during the year) 548.29 300.00

6788.20 6539.91

#### Advance for investment (pending allotment)

Sona Stampings Ltd. (subsidiary company) - 248.29

6788.20 6788.20

Non-current		Current	
As at 31st March, 2012 (₹ / Lacs)	As at 31st March, 2011 (₹ / Lacs)	As at 31st March, 2012 (₹ / Lacs)	As at 31st March, 2011 (₹ / Lacs)

## NOTE 13 - LOANS AND ADVANCES

(Unsecured, considered good)

Capital Advances	1805.61	1738.59	-	-
	1805.61	1738.59	-	-
Security Deposits	266.01	258.37	70.15	82.96
	266.01	258.37	70.15	82.96
Loans and advances to related parties (subsidiary)	-	-	195.00	100.00
	-	-	195.00	100.00
Other loans and advances				
Advance recoverable in cash or kind	-	-	286.60	17.75
Loans and advances to employees	13.21	9.50	31.53	39.09
Prepaid expenses	2.25	11.63	81.17	95.20
Balance with custom, excise and sales tax authorities	2.69	2.34	1234.08	2295.01
Minimum alternate tax (MAT) credit entitlement	-	-	437.01	814.30
Advance income tax [Net of provision for income tax ₹ nil (previous year ₹ 2392.42 lacs)]	-	-	-	5.14
	18.15	23.47	2070.39	3266.49
	2089.77	2020.43	2335.54	3449.45

Particulars	Non-current		Current	
	As at 31st March, 2012 (₹ / Lacs)	As at 31st March, 2011 (₹ / Lacs)	As at 31st March, 2012 (₹ / Lacs)	As at 31st March, 2011 (₹ / Lacs)
<b>NOTE 14 - OTHER ASSETS</b>				
(Unsecured, considered good)				
Non-current bank balances (refer note 17)*	17.86	-	-	-
Unamortized premium on forward contracts	-	-	11.10	60.21
Interest accrued but not due	-	-	0.08	-
Claims receivable	-	-	376.47	79.89
Unbilled revenue	-	-	1157.75	328.44
Other receivable	-	-	621.52	1136.29
	<u>17.86</u>	<u>-</u>	<u>2166.92</u>	<u>1604.83</u>

\* Held as margin money deposits against bank guarantees

As at 31st March, 2012 (₹ / Lacs)	As at 31st March, 2011 (₹ / Lacs)
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#### NOTE 15 - INVENTORIES

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

Raw materials and components *	1975.96	2646.71
Work-in-progress	663.94	798.79
Finished goods **	295.28	295.79
Stock-in-trade	4.51	9.55
Stores and spares	400.88	437.71
Loose tools	535.60	536.38
	<u>3876.17</u>	<u>4724.93</u>

\* Includes material in transit ₹ 80.55 lacs (previous year ₹ 41.94 lacs)

\*\* Includes goods in transit ₹ 62.71 lacs (previous year ₹ 49.31 lacs)

#### NOTE 16 - TRADE RECEIVABLES

(Unsecured, considered good)

Receivables outstanding for a period exceeding six months from the date they are due for payment	45.51	65.85
Other receivables	12519.43	11130.59
	<u>12564.94</u>	<u>11196.44</u>

Non-current		Current	
As at 31st March, 2012 (₹ / Lacs)	As at 31st March, 2011 (₹ / Lacs)	As at 31st March, 2012 (₹ / Lacs)	As at 31st March, 2011 (₹ / Lacs)

#### NOTE 17 - CASH AND BANK BALANCES

##### Cash and cash equivalents

Balances with banks:

Current accounts	-	-	63.79	95.83
Unpaid dividend account	-	-	53.55	38.99
Cash on hand	-	-	7.39	10.47
<b>Sub-total</b>	<u>-</u>	<u>-</u>	<u>124.73</u>	<u>145.29</u>

##### Other bank balances

Fixed deposits with original maturity for more than 12 months \*

	17.86	-	-	-
<b>Sub-total</b>	<u>17.86</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amount disclosed under non-current assets (refer note 14)	(17.86)	-	-	-
<b>Total</b>	<u>-</u>	<u>-</u>	<u>124.73</u>	<u>145.29</u>

Particulars	Year ended 31st March, 2012 (₹ / Lacs)	Year ended 31st March, 2011 (₹ / Lacs)
<b>NOTE 18 - REVENUE FROM OPERATIONS</b>		
Sale of products [refer note 40 (c)]	126344.85	114910.48
Sale of services	286.69	301.95
Other operating revenues :		
Scrap sales	472.41	289.92
Others	50.38	15.77
	<u>127154.33</u>	<u>115518.12</u>
Less:		
Excise duty (refer note 41)	13101.31	12041.45
	<u>114053.02</u>	<u>103476.67</u>
<b>NOTE 19 - OTHER INCOME</b>		
Interest income	20.67	26.11
Foreign exchange gain (net)	-	50.20
Dividend from long term trade investments	14.00	7.00
Lease rental income	35.23	34.25
Other non-operating income	326.39	239.55
	<u>396.29</u>	<u>357.11</u>
<b>NOTE 20 - CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE</b>		
<b>Inventories at the beginning of the year</b>		
Work-in-progress	798.79	455.10
Finished goods	295.79	251.87
Stock-in-trade	9.55	3.83
	<u>1104.13</u>	<u>710.80</u>
<b>Inventories at the end of the year</b>		
Work-in-progress	663.94	798.79
Finished goods	295.28	295.79
Stock-in-trade	4.51	9.55
	<u>963.73</u>	<u>1104.13</u>
<b>Changes in inventories</b>	<b>140.40</b>	<b>(393.33)</b>
<b>Excise duty on increase / (decrease) in finished goods</b> (refer note 41)	<b>4.49</b>	<b>0.70</b>
	<u>144.89</u>	<u>(392.63)</u>
<b>NOTE 21 - EMPLOYEE BENEFIT EXPENSES</b>		
Salaries, wages and allowances	7119.77	6011.43
Contribution to provident and other funds	712.15	481.56
Employees welfare expenses	1758.54	1071.90
	<u>9590.46</u>	<u>7564.89</u>
<b>NOTE 22 - FINANCE COSTS</b>		
Interest on loans	2812.08	2608.41
Other borrowing costs	44.92	82.93
Other interest	25.36	12.16
Bank and other finance charges	64.49	80.61
Cash discount	422.62	388.46
	<u>3369.47</u>	<u>3172.57</u>

Particulars	Year ended 31st March, 2012 (₹ / Lacs)	Year ended 31st March, 2011 (₹ / Lacs)
<b>NOTE 23 - DEPRECIATION AND AMORTIZATION EXPENSES</b>		
Depreciation of tangible assets	2983.33	2605.15
Amortization of intangible assets	350.73	239.63
	<u>3334.06</u>	<u>2844.78</u>
<b>NOTE 24 - RESEARCH &amp; DEVELOPMENT EXPENSES</b>		
Travelling expenses	6.11	10.75
Salary & allowances	213.93	180.93
Components, tools & spares	39.21	40.82
Professional charges	3.34	1.39
Others	0.87	1.20
	<u>263.46</u>	<u>235.09</u>
<b>NOTE 25 - OTHER EXPENSES</b>		
Stores and spare parts consumed	1308.26	1265.28
Loose tools consumed	903.62	723.93
Power and fuel	1708.83	1497.25
Repairs and maintenance - plant & machinery	398.28	504.82
Royalty	581.55	446.12
Rent	128.86	139.21
Rates and taxes	49.03	32.63
Insurance	47.74	31.77
Repair and maintenance - buildings	37.82	22.89
Repair and maintenance - others	307.53	241.82
Travelling, conveyance and vehicle expenses	682.59	689.25
Communication & stationery expenses	211.38	184.81
Legal & professional charges	881.03	660.71
Security charges	128.58	109.39
Business promotion	97.18	78.10
Premium on forward exchange contract amortized	150.51	102.11
Provision for mark-to-market losses on derivative contracts	1.06	-
Foreign exchange loss (net)	217.41	-
Forwarding expenses	929.24	1165.45
Packing material	510.53	458.75
Commission to non whole time directors	63.20	54.00
Directors' sitting fees	5.80	5.50
Bad debts / advances written off	-	19.61
Less: written off against provision	-	(19.61)
Loss on sale of fixed assets (net)	23.74	13.45
Payments to auditors		
As Auditors		
Audit fee	10.50	9.00
Tax audit fee	2.50	2.50
Limited review & consolidation	8.00	6.25
In other capacity		
Taxation matters	-	1.40
Other services (certifications fee)	0.70	0.31
Miscellaneous expenses	221.47	220.79
	<u>9616.94</u>	<u>8667.49</u>
<b>NOTE 26 - EXCEPTIONAL ITEMS</b>		
Net (gain)/loss on sale of long term investments	-	(332.18)
	<u>-</u>	<u>(332.18)</u>

Particulars		Year ended 31st March, 2012 (₹ / Lacs)	Year ended 31st March, 2011 (₹ / Lacs)
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#### NOTE 27 - EARNINGS PER SHARE

Net profit after tax		3883.70	3741.13
Profit/(loss) attributable to the equity shareholders (A)		3883.70	3741.13
Basic/weighted average number of equity shares outstanding during the year (nos.) (B)		19,87,41,832	19,87,41,832
Nominal value of equity shares (in ₹)		1.00	1.00
Earnings per equity share (in ₹)			
Basic (A/B)		1.95	1.88
Diluted (A/B)		1.95	1.88

Current Year (₹ / Lacs)	Previous Year (₹ / Lacs)
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#### NOTE 28 - DEFINED BENEFIT PLANS

- i) The Company has recognised, in the statement of profit and loss for the year ended March 31, 2012 an amount of ₹ 496.54 lacs (previous year ₹ 413.06 lacs). Expenses under defined contribution plans include:

a) Employer's contribution to provident fund	357.98	283.27
b) Employer's contribution to superannuation fund	120.54	105.05
c) Employer's contribution to Employee State Insurance Corporation	18.02	24.74
	<b>496.54</b>	<b>413.06</b>

The expense is disclosed in the line item - contribution to provident and other funds in note 21.

- 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 (₹ / Lacs)	Previous year (₹ / Lacs)	Current year (₹ / Lacs)	Previous year (₹ / Lacs)
1. Reconciliation of opening and closing balances of obligations :				
a) Obligation as at April 01, 2011	904.10	700.56	363.15	242.39
b) Current service cost	93.16	70.08	55.42	78.19
c) Interest cost	73.23	56.05	29.41	19.39
d) Actuarial (gain) / loss	112.32	118.89	(17.66)	70.32
e) Benefits paid	(51.79)	(41.49)	(63.89)	(47.14)
f) Obligation as at March 31, 2012	1131.02	904.09	366.43	363.15
2. Change in plan assets (reconciliation of opening and closing balances) :				
a) Fair value of plan assets as at April 01, 2011	933.82	860.02	-	-
b) Prior period adjustment	-	-	-	-
c) Expected return on plan assets	96.92	81.20	-	-
d) Contributions	171.75	34.08	-	-
e) Benefits paid	(51.79)	(41.49)	-	-
f) Actuarial gain / (loss) on plan assets	-	-	-	-
g) Fair value of plan assets as at March 31, 2012	1150.70	933.81	-	-
3. Reconciliation of fair value of assets and obligations :				
a) Present value of obligation as at March 31, 2012	1131.02	904.09	366.43	363.15
b) Fair value of plan (assets) as at March 31, 2012	(1150.70)	(933.81)	-	-
c) Asset / liability recognised in the balance sheet	- *	- *	366.43	363.15

\* 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.



4. Expense recognised during the year :

a) Current service cost	93.16	70.08	55.42	78.19
b) Interest cost	73.23	56.05	29.41	19.39
c) Expected return on plan assets	(96.92)	(81.20)	-	-
d) Actuarial (gain) / loss	112.32	118.89	(17.66)	70.32
e) Expenses recognised during the year	181.79	163.82	67.17	167.90

5. Assumptions :

a) Discount rate (per annum)	8.70%	8.10%	8.70%	8.10%
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)	6.50%	5.50%	6.50%	5.50%

The estimates of future salary increases, considered in actuarial valuation, takes 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 is 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.

**NOTE 29 - LEASES**

**(a) Operating lease: Company as lessee**

The Company has taken various residential, office premises and vehicles under operating lease on lease and license agreements. These are cancellable; 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 statement of profit and loss in the year incurred.

The Company has taken cars for its employees under operating lease agreement. An amount of ₹ 22.43 lacs (previous year ₹ 25.28 lacs) is recognised as lease expenses against cars in the statement of profit and loss for the year ended March 31, 2012. The future minimum lease payments are as follows:

	Current year (₹ / Lacs)	Previous year (₹ / Lacs)
Within one year	12.40	21.89
After one year but not more than five years	15.27	27.66
	<u>27.67</u>	<u>49.55</u>

**(b) Operating lease: Company as lessor\***

The Company has given part of its factory building at Chennai under operating lease on lease and licence agreement for the period of four year. The agreement for premises can be terminated by either party early by payment of compensation fees. The lease arrangement is renewable on the expiry of lease period subject to mutual agreement. Lease receipts of ₹ 35.23 lacs (previous year ₹ 34.09 lacs) are recognised in the statement of profit and loss as per terms of agreement. The future lease receipts are as follows :

Within one year	36.99	35.22
After one year but not more than five years	25.47	62.46
	<u>62.46</u>	<u>97.68</u>

\* Above reported lease rentals are net of service tax.

**NOTE 30 - FIXED ASSETS / CAPITAL WORK IN PROGRESS INCURRED DURING THE YEAR INCLUDES :**

a) Technical know-how fees	164.80	491.57
b) Professional charges	39.48	23.18
c) Technical support charges	21.05	1.90
d) Components, tools & spares	675.36	477.84
e) Traveling expenses	70.30	43.65
f) Interest to banks	170.23	114.03
g) Loss on foreign exchange fluctuations on ECB loan	192.74	-
h) Others	516.94	51.32
i) Salary	329.77	-
	<u>2180.67</u>	<u>1203.49</u>

### NOTE 31 - SEGMENT REPORTING

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.

	Current year (₹ / Lacs)	Previous year (₹ / Lacs)
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### NOTE 32 - CONTINGENT LIABILITIES

I) Claims against the Company not acknowledged as debt on account of :		
a) Excise duty	1981.78	1322.54
b) Service tax	267.06	341.88
c) Local Area Development Tax	435.72	209.16
d) Income tax - matters in appeal	30.53	56.81
e) Warranties/customers	-	67.25
II) Customer bills discounted	1406.00	910.00
III) Letter of credit opened by banks for purchase of inventory / capital goods	1243.31	867.00
IV) The Company has filed a writ petition with the Hon'ble High Court of Calcutta for injunction restraining the Govt. of West Bengal for acting in terms of the Singur Land Rehabilitation And Development Act, 2011, which is being heard by a Divisional Bench alongwith the appeals of Tata Motors Ltd. and their other vendors. Pending finalization of the case, the Company has not made any provision for the impairment of value of land.		
V) During the year under audit, search and seizure operation were carried out by Revenue Authorities on 29th November, 2011. However neither any unexplained money, bullion or valuables were found nor there was any seizure. Additional tax liability, if any, shall be accounted for on creation of demand against the Company.		

### NOTE 33 - 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:

	Current year		Previous year	
Nature of contracts	Contracts (nos.)	Amount (in lacs)	Contracts (nos.)	Amount (in lacs)
Forward contracts (JPY)	54	1625.32	34	3729.14
Rupee equivalent value	54	1017.29	34	2026.04
Forward contracts (USD)	1	50.00	0	-
Rupee equivalent value	1	2512.50	0	-

Un-hedged foreign currency exposure :

(In Lacs)

	Current year					
	CHF	EURO	USD	YEN	THB	GBP
Trade payables	0.62	1.75	35.26	549.56	0.99	-
Rupee equivalent value	35.27	119.82	1803.55	343.97	1.61	-
ECB loan	-	-	40.00	-	-	-
Rupee equivalent value	-	-	2046.00	-	-	-
Trade receivables and loans & advances	-	10.58	22.35	0.51	-	0.02
Rupee equivalent value	-	712.99	1130.46	0.31	-	1.62

(In Lacs)

	Previous year			
	CHF	EURO	USD	YEN
Trade payables	1.15	0.20	30.04	2441.46
Rupee equivalent value	56.57	12.78	1346.69	1326.45
ECB loan	-	-	-	-
Rupee equivalent value	-	-	-	-
Trade receivables and loans & advances	-	12.39	28.21	21.64
Rupee equivalent value	-	780.20	1252.81	11.57

#### NOTE 34 - DEFERRAL / CAPITALIZATION OF EXCHANGE DIFFERENCES

The Ministry of Corporate Affairs (MCA) has issued the amendment dated 29th December, 2011 to AS 11. The effects of changes in foreign exchange rates, to allow companies deferral / capitalization of exchange differences arising on long-term foreign currency monetary items.

In accordance with the amendment to AS 11, the Company has capitalized the exchange loss to depreciable fixed assets arising on long-term foreign currency loan, amounting to ₹ 192.74 lacs (previous year nil) for the year ended 31st March, 2012. The Company does not have any other long-term foreign currency monetary items. Hence, the amount of exchange loss deferred in the "Foreign currency monetary item translation difference account" is nil.

	Current year (₹ / Lacs)	Previous year (₹ / Lacs)
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#### NOTE 35 - CAPITAL AND OTHER COMMITMENTS

I) Estimated amount of contracts remaining to be executed on capital account not provided for, net of advances	2027.29	2274.57
II) Other commitments		
The Company has given a letter of comfort to banks to lend support to its subsidiaries against sanctioned limit		
a) Sona Stampings Ltd. ₹ 175.00 lacs (previous year ₹ 75.00 lacs)		
b) Sona Fuji Kiko Automotive Ltd. ₹ 2464.00 lacs (previous year ₹ 2102.00 lacs)		

#### NOTE 36 - VALUE OF IMPORTS CALCULATED ON CIF BASIS

Capital goods	1264.34	422.46
Raw material	319.49	205.67
Components, spares & tools	14054.41	15583.46
	<u>15638.24</u>	<u>16211.59</u>

#### NOTE 37 - EXPENDITURE IN FOREIGN CURRENCY

Books and periodicals	1.44	0.03
Royalty	469.59	322.46
Technical services	168.89	316.50
Testing expenses	15.89	-
Foreign travels	60.17	47.99
Legal and professional charges	-	47.34
Training fees	-	4.64
Warehouse charges	23.71	7.63
Interest	89.27	6.85
Others	38.47	29.89
	<u>867.43</u>	<u>783.33</u>

#### NOTE 38 - REMITTANCE IN FOREIGN CURRENCY

Dividend	285.89	137.06
No. of non resident shareholders	426	378
No. of shares held by non resident shareholders	4,39,83,345	4,56,87,343
Year to which the dividend relates	2010-11	2009-10

Particulars	Current year (₹ / Lacs)	Previous year (₹ / Lacs)
<b>NOTE 39 - EARNINGS IN FOREIGN EXCHANGE</b>		
FOB value of export of goods	4200.92	4370.16
<b>NOTE 40 (a) - PARTICULARS OF MATERIALS CONSUMED *</b>		
Raw material : steel bars	717.96	708.11
Components	80689.95	75269.94
<b>Total</b>	<b>81407.91</b>	<b>75978.05</b>

\* Cost of material consumed includes components

**b) Value of consumption of imported and indigenous raw materials, components, tools, stores & spares and percentage of each to total consumption.**

	Current year (₹ / Lacs)	%	Previous year (₹ / Lacs)	%
Raw material & components				
Imported	13942.26	17.13%	13774.82	18.13%
Indigenous	67465.65	82.87%	62203.23	81.87%
	<u>81407.91</u>	<u>100.00%</u>	<u>75978.05</u>	<u>100.00%</u>
Stores & spares				
Imported	34.37	2.63%	187.05	14.78%
Indigenous	1273.89	97.37%	1078.23	85.22%
	<u>1308.26</u>	<u>100.00%</u>	<u>1265.28</u>	<u>100.00%</u>
Tools (includes loose tools)				
Imported	302.44	33.47%	145.80	20.14%
Indigenous	601.18	66.53%	578.13	79.86%
	<u>903.62</u>	<u>100.00%</u>	<u>723.93</u>	<u>100.00%</u>

	Current Year (₹ / Lacs)	Previous Year (₹ / Lacs)
<b>c) Details of products sold</b>		
Steering gear assembly	86235.89	88294.22
Axle assembly including components	14527.55	17780.77
Others include sale of stock-in-trade and bought out components	25581.41	8835.49
	<u>126344.85</u>	<u>114910.48</u>

**d) Stock-In-Trade (current year)**

Description of goods	Opening stock (₹ / Lacs)	Purchase (₹ / Lacs)	Sales (₹ / Lacs)	Closing stock (₹ / Lacs)
Reservoir	9.55	233.59	28204.88	4.51
Others	-	861.07	1171.57	-

**Stock-In-Trade (previous year)**

Description of goods	Opening stock (₹ / Lacs)	Purchase (₹ / Lacs)	Sales (₹ / Lacs)	Closing stock (₹ / Lacs)
Reservoir	3.83	138.87	205.71	9.55
Others	-	807.20	1079.53	-

**NOTE 41** - 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 "Changes in inventories of finished goods, work-in-progress and stock-in-trade-excise duty on increase/(decrease) in finished goods" under note 20 annexed and forming part of statement of profit and loss.

**NOTE 42 - INFORMATION IN TERMS OF SECTION 22 OF THE MICRO, SMALL AND MEDIUM ENTERPRISES DEVELOPMENT ACT, 2006**

Details of dues to Micro and Small Enterprises as per MSMED Act, 2006	31st March, 2012 (₹ / Lacs)	31st March, 2011 (₹ / Lacs)
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year.	Principal - 0.00 Interest - 0.00	Principal - 0.00 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

**NOTE 43** - Raw material and components consumed are net of ₹ 2559.19 lacs (previous year ₹ 3036.74 lacs) being the value of dispatches made to vendors for job work.

**NOTE 44** - A provision is recognized for expected warranty claims on products sold during the last two to three years, based on past experience of the level of returns. It is expected that significant portion of these cost will be incurred in the next financial year and all will have been incurred within three years after reporting date. Assumptions used to calculate the provision for warranties were based on current sales level and current information available about returns based on the three year warranty period for products sold. The table below gives information about movement in warranty provisions.

Provision for warranty account details as required by AS - 29

Description	Current year (₹ / Lacs)	Previous year (₹ / Lacs)
Opening balance	120.00	95.00
Add: addition during the year	181.17	176.81
Less: charged off to the statement of profit and loss	161.17	151.81
Closing balance	140.00	120.00

The warranty expenses of ₹ 161.17 lacs (previous year ₹ 151.81 lacs) are charged off to statement of profit and loss account included under the head forwarding expenses.

**NOTE 45 (A) - RELATED PARTY DISCLOSURES (TRANSACTIONS WITH RELATED PARTIES)**

(₹ /Lacs)

PARTICULARS	SIGNIFICANT CONTROL	SUBSTANTIAL INTEREST	JOINT VENTURE	OTHERS (SIGNIFICANT INFLUENCE)	SUBSIDIARIES	KEY MANAGEMENT PERSONNEL	RELATIVE OF KEY MANAGEMENT PERSONNEL	TOTAL
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
PURCHASE OF GOODS		7745.65		10856.61	4727.15			23329.41
Purchase of goods (previous year)		(8671.52)		(10096.09)	(5616.99)			(24384.59)
PURCHASE OF CAPITAL GOODS		132.09		58.33	7.97			198.39
Purchase of capital goods (previous year)				(7.24)				(7.24)
SALE OF GOODS		6.56		57476.28	8378.23			65861.07
Sale of goods (previous year)		(61.16)	(33.46)	(59499.80)	4433.20			(64027.62)
SALE OF CAPITAL GOODS					4.60			4.60
Sale of capital goods (previous year)					(137.53)			(137.53)
RENDERING OF SERVICES				210.56	80.29			290.85
Rendering of services (previous year)				(166.55)	(25.05)			(191.60)
RECEIVING OF SERVICES		806.43		34.14				840.57
Receiving of services (previous year)		(637.07)	(39.13)	(82.48)	(9.27)			(767.94)
REIMBURSEMENT OF EXPENSES RECOVERED		14.79		17.25	47.25			79.29
Reimbursement of expenses recovered (previous year)		(36.09)		(11.41)	(118.53)			(166.03)
INTEREST INCOME								
Interest income (previous year)					(1.81)			(1.81)
REIMBURSEMENT OF EXPENSES PAID		11.63		11.30	0.44			23.37
Reimbursement of expenses paid (previous year)			(7.36)	(1.99)				(9.35)
CASH DISCOUNT PAID				418.49				418.49
Cash discount paid (previous year)				(495.19)				(495.19)
OTHER INCOME				1.15	160.49			161.63
Other income (previous year)				(2.63)	(4.53)			(7.16)
LEASING OF PREMISES RECEIVED					38.86			38.86
Leasing of premises received (previous year)					(37.01)			(37.01)
LEASING OF PREMISES PAID				12.84				12.84
Leasing of premises paid (previous year)				(12.52)				(12.52)
SHARE APPLICATION MONEY PENDING FOR ALLOTMENT								
Share application money pending for allotment (previous year)					(248.29)			(248.29)
SALE OF LONG TERM INVESTMENT								
Sale of long term investment (previous year)				(13.14)				(13.14)
ADVANCE GIVEN					100.00			100.00
Advance received (previous year)					(100.00)			(100.00)
REMUNERATION *	183.62					699.77		883.39
Remuneration (previous year)	(127.14)					(602.96)		(730.10)
DIVIDEND PAID		259.66		414.15				673.80
Dividend paid (previous year)		(119.84)		(191.14)				(310.98)
OUTSTANDING BALANCE AS ON 31.03.2012 (DEBIT)				2201.52	589.44			2790.96
Outstanding balance as on 31.03.2011 (debit)			(8.06)	(1099.46)	(190.15)			(1297.66)
OUTSTANDING BALANCE AS ON 31.03.2012 (CREDIT)		1760.16		1517.65				3277.81
Outstanding balance as on 31.03.2011 (credit)		(3830.71)		(1119.57)				(4950.27)

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

2. \* Remuneration includes directors' commission, contribution to superannuation and provident fund.

Name of related parties &amp; 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<br>(Part of the previous year till disposal of respective investments) | 1. Sona Autocomp Inc.<br>3. AAM Sona Axle Pvt. Ltd.  |
| 4. Others (significant influence)  | 2. Sona Autocomp Europe SARL<br><br>1. Sona Somic Lemforder Components Ltd.<br>2. Sona Okegawa Precision Forgings Ltd.<br>3. Mahindra Sona Ltd.<br>4. Maruti Suzuki India Ltd.<br>5. Sona e-Design and Technologies Ltd.<br>6. Fuji Autotech AB, Sweden<br>7. Pune Heat Treat Pvt. Ltd.<br>8. Sona Mobility Services Ltd.<br>9. Kapur Properties & Investment<br>10. Fuji Autotech Europe SAS<br>11. Sona Autocomp Holding Pvt. Ltd.<br>12. Mandira Marketing Ltd. |
| 5. Subsidiaries  | 1. Sona Fuji Kiko Automotive Ltd.<br>3. JTEKT Sona Automotive India Ltd.   |
| 6. Key management personnel  | 1. Dr. Surinder Kapur - (Transactions disclosed under category (1) above)<br>2. Mr. Sunjay Kapur<br>3. Mr. Kiran Deshmukh<br>4. Mr. P.V. Prabhu Parriker<br>5. Mr. Sudhir Chopra<br>6. Mr. Govindrajan Sunder Rajan  |



**NOTE 45 (B) - TRANSACTION IN EXCESS OF 10% OF THE TOTAL RELATED PARTY TRANSACTIONS**
**(₹/Lacs)**

Relationship	Name of party	Description of the nature of transaction	For the year Ended 31.03.12	For the year Ended 31.03.11
Other significant influence	Sona Somic Lemforder Components Ltd.	Purchase of goods	9687.43	8229.86
Subsidiaries	JTEKT Sona Automotive India Ltd.	Purchase of goods	4004.54	4844.93
Substantial interest	JTEKT Corporation	Purchase of goods	7745.65	8671.52
Other significant influence	Sona e-design & Technologies Ltd.	Purchase of fixed assets	47.91	7.24
Substantial interest	JTEKT Corporation	Purchase of fixed assets	132.09	-
Other significant influence	Maruti Suzuki India Ltd.	Sales	56600.38	58886.54
Subsidiaries	JTEKT Sona Automotive India Ltd.	Sales	7730.87	-
Subsidiaries	Sona Stampings Ltd.	Sale of fixed assets	4.60	-
Subsidiaries	JTEKT Sona Automotive India Ltd.	Sale of fixed assets	-	137.53
Other significant influence	Sona Somic Lemforder Components Ltd.	Rendering of services	97.48	83.27
Other significant influence	Sona Okegawa Precision Forgings Ltd.	Rendering of services	97.48	83.27
Subsidiaries	Sona Fuji Kiko Automotive Ltd.	Rendering of services	-	23.20
Subsidiaries	JTEKT Sona Automotive India Ltd.	Rendering of services	56.28	-
Substantial interest	JTEKT Corporation	Receiving of services	806.43	637.07
Subsidiaries	Sona Stampings Ltd.	Reimbursement of expense recovered	43.71	118.53
Substantial interest	JTEKT Corporation	Reimbursement of expense recovered	14.79	36.09
Subsidiaries	Sona Stampings Ltd.	Interest Income	-	1.81
Other significant influence	Sona Somic Lemforder Components Ltd.	Reimbursement of expenses paid	11.30	-
Other significant influence	Mahindra Sona Ltd.	Reimbursement of expenses paid	-	1.86
Joint ventures	Sona Autocomp Inc.	Reimbursement of expenses paid	-	7.36
Substantial interest	JTEKT Corporation	Reimbursement of expenses paid	11.63	-
Other significant influence	Maruti Suzuki India Ltd.	Cash discount paid	418.49	495.19
Other significant influence	Sona Okegawa Precision Forgings Ltd.	Other income	-	2.63
Subsidiaries	Sona Stampings Ltd.	Other income	-	4.53
Subsidiaries	JTEKT Sona Automotive India Ltd.	Other income	160.30	-
Other significant influence	Pune Heat Treat Pvt. Ltd.	Leasing of premises paid	9.24	9.24
Other significant influence	Kapur Properties & Investment	Leasing of premises paid	3.60	-
Subsidiaries	JTEKT Sona Automotive India Ltd.	Leasing of premises received	38.86	37.01
Subsidiaries	Sona Stampings Ltd.	Share application money pending for allotment	-	248.29
Other significant influence	Pune Heat Treat Pvt. Ltd.	Sale of long term investment	-	13.14
Subsidiaries	Sona Stampings Ltd.	Advance given	100.00	100.00
Significant control	Dr. Surinder Kapur	Remuneration	95.11	87.14
Key management person	Mr. Kiran Deshmukh	Remuneration	69.30	58.18
Key management person	Mr. Sudhir Chopra	Remuneration	107.46	77.39
Key management person	Mr. Sunjay Kapur	Remuneration	154.50	138.66
Key management person	Mr. Govindrajan Sunder Rajan	Remuneration	108.00	77.57
Significant control	Dr. Surinder Kapur	Commission	88.51	40.00
Key management person	Mr. Sunjay Kapur	Commission	161.64	162.00
Key management person	Mr. Kiran Deshmukh	Commission	63.20	54.00
Other significant influence	Maruti Suzuki India Ltd.	Dividend paid	89.70	41.40
Other significant influence	Sona Autocomp Holding Pvt. Ltd.	Dividend paid	324.45	149.74
Substantial interest	JTEKT Corporation	Dividend paid	259.66	119.84
Subsidiaries	JTEKT Sona Automotive India Ltd.	Balances (debit)	293.30	-
Other significant influence	Maruti Suzuki India Ltd.	Balances (debit)	1968.64	1068.01
Other significant influence	Sona Somic Lemforder Components Ltd.	Balances (credit)	1405.64	1029.30
Substantial interest	JTEKT Corporation	Balances (credit)	1760.16	3830.71

**NOTE 46 - PREVIOUS YEAR FIGURES :** The Company was using pre-revised Schedule VI to the Companies Act, 1956, till the year ended 31st March, 2011, for preparation and presentation of its financial statements. During the year ended 31st March, 2012, the revised Schedule VI notified under the Companies Act, 1956, has become applicable to the Company. The Company has re-classified previous year figures to conform to this year's classification. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it significantly impacts presentation and disclosures made in the financial statements, particularly presentation of balance sheet.

As per our report of even date

Signature to Note 1 to 46

For S. P. Puri &amp; Co.

Chartered Accountants

Firm Registration Number 001152N

(Rajiv Puri)

Partner

Membership no. : 84318

Place : Gurgaon

Dated : 1st May, 2012

Sudhir Chopra

Company Secretary

Rajiv Chanana

Chief Financial Officer

For and on behalf of the Board

Sunjay Kapur

Vice Chairman &amp; 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, Statement of Profit & Loss, 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.

(₹/Lacs)

Sl. No.	Name of Subsidiary	Capital	Reserves	Total Assets	Total Liabilities	Detail of Investments	Turnover	Profit / (Loss) before Taxation	Provision for Taxation	Profit / (Loss) after Taxation	Proposed Dividend
1.	Sona Stampings Ltd. (w.e.f.18/10/2007)	202.78	(284.50)	894.84	894.84	-	1079.93	(260.35)	(141.85)	(402.20)	-
2.	JTEKT SONA Automotive India Ltd. (w.e.f. 10/10/2007)	5669.00	3248.99	25552.22	25552.22	-	37976.55	2933.94	607.90	2326.04	-
3.	Sona Fuji Kiko Automotive Ltd. (w.e.f. 22/11/2007)	1000.00	98.29	3529.08	3529.08	-	3531.98	263.28	92.36	170.92	-

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:	31.03.2012	31.03.2012	31.03.2012
2.	Number of shares in the subsidiary company held by Sona Koyo Steering Systems Limited at the above date	141778	27778094	5099993
	Extent of holding (%)	69.92%	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, 2012	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, 2012 (₹/Lacs)	(402.20)	2326.04	170.92
	b) for previous Financial Years of the subsidiary since it become subsidiary of Sona Koyo Steering Systems Limited. (₹/Lacs)	(294.72)	922.95	72.63

For and on behalf of the Board

Place : Gurgaon  
Dated: 1st May, 2012

Sudhir Chopra - Company Secretary  
Rajiv Chanana - Chief Financial Officer

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\$)		
31.03.2008	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
31.03.2012	247569	11002	3409	2935	3885	40610	46031	114289	0.04	0.01	0.22

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)

	2011-12	2010-2011	2009-2010	2008-2009	2007-2008
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### SOURCES OF FUNDS

1. A. Increase in capital	-	-	-	95	232
B. Premium on Share Capital	-	-	-	3088	7551
2. Funds generated from operations					
A. Profit/(Loss) after Tax	7593	8345	4791	(6073)	6330
B. Depreciation	6518	6346	5883	4880	4215
C. Deferred Tax	452	1584	2451	(2929)	1442
3. Investment (Net)	-	1324	-	-	60
4. Borrowings	14900	7402	21023	11191	41457
5. Decrease in Working Capital	6143	-	-	3384	-
	<u>35606</u>	<u>25001</u>	<u>34148</u>	<u>13636</u>	<u>61288</u>

### APPLICATION OF FUNDS

1. Capital Expenditure	21887	9351	4177	11552	33177
2. Capital Redemption Reserve for Bonus Issue	-	-	-	-	-
3. Dividends	2935	3349	1539	-	2045
4. Investments	-	554	2786	1448	5458
5. Increase in Working Capital	-	2693	225	-	1550
6. Repayment of Loan	10784	9054	25421	636	19058
	<u>35606</u>	<u>25001</u>	<u>34148</u>	<u>13636</u>	<u>61288</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** (collectively referred to as "the Group") as at 31<sup>st</sup> March, 2012, the consolidated statement of profit and loss 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 a subsidiary for the year ended 31<sup>st</sup> March, 2012 included in the consolidated financial statements, whose financial statements reflect total assets of ₹ 25552.21 lacs (previous year ₹ 24347.38 lacs) as at 31<sup>st</sup> March, 2012, total revenue of ₹ 38044.03 lacs (previous year ₹ 22478.95 lacs), net profit of ₹ 2326.04 lacs (previous year ₹ 954.49 lacs) and net cash flows from operating activities of ₹ 4148.01 lacs (previous year ₹ 690.91 lacs) for the year ended on

that date. These financial statements and other financial information has been audited by other auditor whose report has been furnished to us, and our opinion on the consolidated financial statements to the extent they have been derived from such financial statements is based solely on the report of such other auditor.

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', 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 included in the consolidated financial statements.
3. Based on our audit and on consideration of report of other auditor on separate financial statements and on the other financial information of the components of the Group as referred above, and to the best of our information and according to the explanations given to us, in our opinion the attached 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, 2012;
  - b) in the case of the consolidated statement of profit and loss, 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  
Firm Registration No. 001152 N

Place : Gurgaon  
Dated: 1<sup>st</sup> May, 2012

(Rajiv Puri - Partner)  
Membership No. 084318

## CONSOLIDATED BALANCE SHEET

### AS AT 31ST MARCH, 2012

Particulars	Note No.	As at 31st March, 2012 (₹ / Lacs)	As at 31st March, 2011 (₹ / Lacs)
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
Share capital	2	1987.42	1987.42
Reserves and surplus	3	21934.56	18576.59
<b>Sub-total</b>		<b>23921.98</b>	<b>20564.01</b>
<b>Minority interest</b>		<b>5086.34</b>	<b>3821.39</b>
<b>Non-current liabilities</b>			
Long term borrowings	4	26237.72	25471.94
Deferred tax liabilities (net)	5	3971.97	3534.62
Other long term liabilities	6	1.40	26.75
Long-term provisions	7	445.73	406.13
<b>Sub-total</b>		<b>30656.82</b>	<b>29439.44</b>
<b>Current liabilities</b>			
Short-term borrowings	8	3521.51	3228.20
Trade payables	9	20329.36	19369.14
Other current liabilities	10	9957.07	8095.21
Short-term provisions	7	1851.59	1966.77
<b>Sub-total</b>		<b>35659.53</b>	<b>32659.32</b>
<b>Total</b>		<b>95324.67</b>	<b>86484.16</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets			
Tangible assets	11	51846.66	45417.45
Intangible assets	11	2641.24	1423.58
Capital work-in-progress		3986.43	1466.34
Intangible assets under development		623.43	930.31
Goodwill on consolidation		153.36	112.50
Non-current investments	12	2952.10	2952.10
Long-term loans and advances	13	2267.65	2145.95
Other non-current assets	14	37.21	35.50
<b>Sub-total</b>		<b>64508.08</b>	<b>54483.73</b>
<b>Current assets</b>			
Inventories	15	6070.15	7519.09
Trade receivables	16	17519.49	16176.74
Cash and bank balances	17	1230.01	1189.54
Short-term loans and advances	13	3613.31	5505.30
Other current assets	14	2383.63	1609.76
<b>Sub-total</b>		<b>30816.59</b>	<b>32000.43</b>
<b>Total</b>		<b>95324.67</b>	<b>86484.16</b>

Significant accounting policies &  
Notes on financial statements

1 to 39

As per our report of even date  
For S. P. Puri & Co.  
Chartered Accountants  
Firm Registration Number 001152N

For and on behalf of the Board

(Rajiv Puri)  
Partner  
Membership no. : 84318  
Place : Gurgaon  
Dated : 1st May, 2012

Sudhir Chopra  
Company Secretary  
  
Rajiv Chanana  
Chief Financial Officer

Sunjay Kapur  
Vice Chairman & Managing Director  
  
Prem Kumar Chadha  
Director

## CONSOLIDATED STATEMENT OF PROFIT AND LOSS

### FOR THE YEAR ENDED 31ST MARCH, 2012

Particulars	Note No.	Year ended 31st March, 2012 (₹ / Lacs)	Year ended 31st March, 2011 (₹ / Lacs)
<b>Income</b>			
Revenue from operations (gross)	18	157604.75	134532.77
[Including share of joint ventures nil (previous year ₹ 1584.68 lacs)]			
Less : Excise duty		15479.74	13854.49
Revenue from operations (net)		142125.01	120678.28
Other income	19	308.51	335.46
<b>Total revenue (I)</b>		<b>142433.52</b>	<b>121013.74</b>
<b>Expenses</b>			
Cost of materials consumed		98407.99	85753.48
[Including share of joint ventures nil (previous year ₹ 1267.89 lacs)]			
Purchases of Stock-In-Trade		1094.66	946.07
Changes in inventories of finished goods, work-in-progress and stock-in-trade	20	461.68	(1155.56)
Employee benefit expenses	21	11328.39	8874.84
Finance costs	22	4593.09	4367.14
Depreciation and amortization expenses	23	4574.97	3773.73
Research & development expenses		263.46	235.08
Other expenses	24	13101.71	11432.99
<b>Total expenses (II)</b>		<b>133825.95</b>	<b>114227.77</b>
Consolidated profit before exceptional items and tax (I - II)		8607.57	6785.97
Exceptional items - (gain)/loss on sale of long term investments (net)	25	-	(579.34)
<b>Consolidated profit before tax</b>		<b>8607.57</b>	<b>7365.31</b>
<b>Tax expense</b>			
- Current year		2438.33	1475.08
- Earlier years excess provision of tax written back		-	(69.75)
- Minimum alternate tax (MAT) credit entitlement		(289.82)	(419.98)
- Deferred tax		437.35	1470.40
<b>Total tax expenses</b>		<b>2585.86</b>	<b>2455.75</b>
<b>Consolidated profit after tax (before adjustment for Minority interest)</b>		<b>6021.71</b>	<b>4909.56</b>
Less : Share of profit transferred to minority		1150.79	446.23
<b>Consolidated profit for the year (after adjustment for Minority interest)</b>		<b>4870.92</b>	<b>4463.33</b>
<b>Earnings per equity share (face value of ₹ 1/- each):</b>			
Basic (in ₹)	26	2.45	2.25
Diluted (in ₹)	26	2.45	2.25

Significant accounting policies &  
Notes on financial statements

1 to 39

As per our report of even date  
For S. P. Puri & Co.  
Chartered Accountants  
Firm Registration Number 001152N

For and on behalf of the Board

(Rajiv Puri)  
Partner  
Membership no. : 84318  
Place : Gurgaon  
Dated : 1st May, 2012

Sudhir Chopra  
Company Secretary  
Rajiv Chanana  
Chief Financial Officer

Sunjay Kapur  
Vice Chairman & Managing Director  
Prem Kumar Chadha  
Director



## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR 2011-12

	Year ended 31st March, 2012 (₹ / Lacs)	Year ended 31st March, 2011 (₹ / Lacs)
<b>A. CASH FLOW FROM OPERATING ACTIVITIES :</b>		
Net profit before tax and minority interest	8607.57	7365.31
Adjustment for :		
Depreciation & amortization	4574.97	3773.73
(Profit)/loss on sale of fixed assets	33.67	21.88
(Profit)/loss on sale of long term investments	-	(579.34)
Dividend from long term investment-trade	(14.00)	(7.00)
Provision for doubtful debts written back	-	(19.61)
Provision for MTM losses	1.06	-
Bad debts/advances written off	-	19.61
Interest expense	3535.40	3347.10
Interest income	(31.64)	(32.66)
Operating profit before working capital changes	16707.03	13889.02
(Increase)/decrease in trade receivables	(1342.75)	(7194.11)
(Increase)/decrease in inventories	1448.93	(2434.84)
(Increase)/decrease in other receivables	1078.34	(2385.79)
Increase/(decrease) in trade & other payables	2571.22	7191.14
Cash generated from operations	20462.77	9065.42
Income tax paid (net of income tax refunds)	(2364.64)	(952.72)
Net cash from operating activities	18098.13	8112.70
<b>B. CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Increase in minority	114.15	-
Increase in goodwill on purchase of investment	(52.46)	-
Purchase of fixed assets (including CWIP)	(13866.32)	(7141.20)
Proceeds from sale of fixed assets	22.42	858.03
Proceeds from sale of long term investments	-	874.78
Investment in bank deposits having original maturity of more than 3 months	(89.76)	(38.50)
Dividend received	14.00	7.00
Interest received	31.64	32.66
Net cash (used)/raised from investing activities	(13826.33)	(5407.23)
<b>C. CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Proceeds from long term borrowings	7245.70	5913.64
Repayment of long term borrowings	(6817.23)	(4053.37)
Proceeds from short term borrowings	293.30	49.17
Interest paid	(3504.26)	(3320.83)
Dividend paid	(1291.82)	(596.23)
Tax on dividend paid	(209.57)	(99.03)
Net cash (used) / raised from investing activities	(4283.88)	(2106.65)
Increase/(decrease) in cash & cash equivalents (A+B+C)	(12.08)	598.82
<b>Cash &amp; cash equivalents as at 31.03.2011</b>	<b>1186.54</b>	<b>587.72</b>
<b>Cash &amp; cash equivalents as at 31.03.2012</b>	<b>1174.46</b>	<b>1186.54</b>

### 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 dividend accounts of ₹ 53.55 lacs (previous year ₹ 38.99 lacs) which are not available for use by the Company.
- Change in short term borrowings reflects change in utilization of bank overdraft limits during the year

As per our report of even date

For S. P. Puri & Co.

Chartered Accountants

Firm Registration Number 001152N

(Rajiv Puri)

Partner

Membership no. : 84318

Place : Gurgaon

Dated : 1st May, 2012

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

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012

## NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

### I. Group companies :

Sona Koyo Steering Systems Limited has consolidated the financial statements of three subsidiaries as given in table below:

Sl. No.	Name of Company	Relationship	Country of incorporation	% of ownership interest as on 31st March, 2012
1.	Sona Fuji Kiko Automotive Ltd.	Subsidiary	India	51
2.	JTEKT Sona Automotive India Ltd.	Subsidiary	India	49*
3.	Sona Stampings Ltd.	Subsidiary	India	69.92

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

The following Joint Venture enterprises were sold during the previous year:

Sl. No.	Name of Joint Venture Company
1.	Sona Autocomp Europe SARL (upto 24th March, 2011)
2.	Sona Autocomp Inc. USA (upto 31st December, 2010)
3.	AAM Sona Axle Private Limited (upto 15th December, 2010)

### 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 principle of consolidation :

The consolidated financial statements of the Group have been prepared and presented under the historical cost convention on 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. Appropriate disclosures are made for significant deviations from the Company's accounting policies, which have not been adjusted.

### IV. Goodwill

Goodwill arising on acquisition is tested for impairment on each balance sheet date.

### V. 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 policies 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 employee's residence are depreciated at the rate of 33.33% per annum.
- Vehicles are depreciated at the rate of 18.75% per annum.
- Depreciation has been provided on straight line method at the rate higher than schedule XIV for a subsidiary company as follows:  
Vehicles - 12% per annum

An asset is treated as impaired when the carrying cost of assets exceeds its recoverable value. An impairment loss is charged to the statement of profit and loss 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 and recognised as intangible assets (included under fixed assets) and are amortized over a period of six years. Unamortized products development fee in respect of models discontinued during the year is fully charged off in statement of profit and loss.

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

Amortization expenses are 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.

**- 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 statement of profit and loss 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-progress are valued at lower of weighted average cost and net realisable value.
- d) Finished goods and stock-in-trade are valued at lower of weighted average cost and net realisable value.

Finished goods and work in progress include costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

**- Foreign currency transactions :**

**- Initial recognition :**

Foreign currency transactions are recorded on the basis of average of the exchange rates in force during the relevant week of each month.

**- Conversion :**

Foreign currency monetary items are retranslated using the exchange rate prevailing at the reporting date.

**- Exchange difference :**

A) With respect to long-term foreign currency monetary items, from April 1, 2011 onwards, the Group has adopted the following policy:

- Foreign exchange difference on account of acquisition of depreciable fixed asset, is adjusted in the cost of the depreciable fixed asset, which would be depreciated over the remaining useful life of the asset.
- In other cases, the foreign exchange difference is accumulated in a foreign currency monetary item translation difference account and amortized over the remaining life of the concerned long term monetary item.

A monetary asset or liability is termed as a long-term foreign currency monetary item, if the monetary asset or liability is expressed in a foreign currency and has a term of 12 months or more at the date of its origination.

B) Other gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit and loss.

**- Forward exchange contracts :**

In case of forward exchange contracts, the premium or discount arising at the inception of forward exchange contracts entered into to hedge an existing asset / liability, is amortized as expense or income over the life of the contract. Exchange differences on such a contract are recognized in the statement of profit and loss in the reporting period in which the exchange rate change.

Forward exchange contracts outstanding as at the year end on account of firm commitment / highly probable forecast transactions are marked to market and the losses, if any, are recognized in the statement of profit and loss while gains are ignored.

**- 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 statement of profit and loss 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 finalization of accounts.

Dividend from investments is recognized when the right to receive the payment is established and when no significant uncertainty as to measurability or collectability exists.

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

- a) DEPB license & focused product scheme 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 ₹ 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.

#### - Employee benefits :

##### - Provident fund

Contributions to defined contribution schemes such as provident fund, etc. are charged to the statement of profit and loss as incurred. In respect of certain employees, provident fund contributions are made to a Trust administered by the Group. 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 Group. The remaining contributions are made to a government administered provident fund towards which the Group has no further obligations beyond its monthly contributions.

##### - 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.

##### - 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.

##### - 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.

#### - Provisions & 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.

Particulars	As at 31st March, 2012 (₹ / Lacs)	As at 31st March, 2011 (₹ / Lacs)
<b>NOTE 2 - SHARE CAPITAL</b>		
<b>Authorised shares (in nos.)</b>	<b>2500.00</b>	<b>2500.00</b>
25,00,00,000 (previous year 25,00,00,000)		
equity shares of ₹ 1/- each		
<b>Issued, subscribed and paid up shares (in nos.)</b>	<b>1987.42</b>	<b>1987.42</b>
19,87,41,832 (previous year 19,87,41,832)		
equity shares of ₹ 1/- each fully paid up		
	<b>1987.42</b>	<b>1987.42</b>

**a) Reconciliation of the equity shares outstanding at the beginning and at the end of reporting year**

Reconciliation	As at 31st March, 2012		As at 31st March, 2011	
	(Nos.)	(₹ / Lacs)	(Nos.)	(₹ / Lacs)
Shares outstanding at the beginning of the year	19,87,41,832	1987.42	19,87,41,832	1987.42
Shares issued during the year	-	-	-	-
Shares bought back during the year	-	-	-	-
<b>Shares outstanding at the end of the year</b>	<b>19,87,41,832</b>	<b>1987.42</b>	<b>19,87,41,832</b>	<b>1987.42</b>

**b) Terms/rights attached to equity shares**

The Company has only one class of equity shares having a par value of ₹ 1/- per share. Each holder of equity shares is entitled to one vote per share.

**c) Detail of shareholders holding more than 5% shares in the Company**

Name of Shareholder	As at 31st March, 2012		As at 31st March, 2011	
	No. of shares	% of holding	No. of shares	% of holding
Equity shares of ₹ 1/- each fully paid				
• Sona Autocomp Holding Pvt. Ltd.	4,99,14,664	25.12%	4,99,14,664	25.12%
• JTEKT Corporation	3,99,47,108	20.10%	3,99,47,108	20.10%
• Maruti Suzuki India Ltd.	1,38,00,000	6.94%	1,38,00,000	6.94%

**d) Aggregate number of bonus shares issued during the period of five years immediately preceding the reporting date**

Reconciliation	As at 31st March, 2012 (nos.)	As at 31st March, 2011 (nos.)
Equity shares allotted as fully paid bonus shares (face value ₹ 1/- per share) by capitalization of capital redemption reserve	8,79,34,000	8,79,34,000

During the financial year 2008-09 the Company had sub-divided the face value of equity share from ₹ 2/- per share to ₹ 1/- per share and the effect of same has been taken into account for disclosure of number of bonus shares.

Particulars	As at 31st March, 2012 (₹ / Lacs)	As at 31st March, 2011 (₹ / Lacs)
<b>NOTE 3 - RESERVES &amp; SURPLUS</b>		
<b>Capital reserve</b>	<b>0.44</b>	<b>0.44</b>
(On account of re-issue of forfeited equity shares)		
<b>Capital redemption reserve</b>	<b>120.66</b>	<b>120.66</b>
<b>Securities premium account</b>		
Balance as per the last financial statements	8921.17	8921.17
<b>Closing balance</b>	<b>8921.17</b>	<b>8921.17</b>
<b>General reserve</b>		
Balance as per the last financial statements	6890.71	6490.71
Add: amount transferred from surplus balance in the statement of profit and loss	450.00	400.00
<b>Closing balance</b>	<b>7340.71</b>	<b>6890.71</b>
<b>Surplus in the statement of profit and loss</b>		
Balance as per last financial statements	2643.61	81.67
Profit for the year	4870.92	4463.33
Prior period adjustment	(11.56)	-
Less: Appropriations		
Proposed dividend (refer note (a) below)	1291.82	1291.82
Tax on proposed dividend	209.57	209.57
Transfer to general reserve	450.00	400.00
<b>Net surplus in the statement of profit and loss</b>	<b>5551.58</b>	<b>2643.61</b>
<b>Total reserve and surplus</b>	<b>21934.56</b>	<b>18576.59</b>

(a) For the year ended 31st March 2012, the amount of dividend per share proposed to be distributed to equity shareholders is ₹ 0.65 (previous year ₹ 0.65).

Non-current portion		Current maturities	
As at 31st March, 2012 (₹ / Lacs)	As at 31st March, 2011 (₹ / Lacs)	As at 31st March, 2012 (₹ / Lacs)	As at 31st March, 2011 (₹ / Lacs)

#### NOTE 4 - LONG TERM BORROWINGS

##### Term loans

##### From banks

Indian rupee loans from banks (secured)	14470.66	17153.23	4011.12	4635.67
Foreign currency loans from banks (secured)	4302.75	-	255.75	-
Indian rupee loans from banks (unsecured)	714.00	1820.00	1106.00	820.00
Foreign currency loans from banks (unsecured)	6215.26	5711.23	364.27	-

##### From financial institution

Indian rupee loan from financial institution (secured)	48.96	106.96	60.00	54.00
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##### From others

Indian rupee loans from NBFC (secured)	486.09	680.52	194.43	194.43
	<b>26237.72</b>	<b>25471.94</b>	<b>5991.57</b>	<b>5704.10</b>

Amount disclosed under the head "other current liabilities" (refer note 10)	-	-	(5991.57)	(5704.10)
	<b>26237.72</b>	<b>25471.94</b>	<b>-</b>	<b>-</b>

#### 1. Indian rupee loans from banks include:

- Rupee term loans of ₹ 14938.47 lacs (previous year ₹ 16414.34 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 ₹ nil (previous year ₹ 388.89 lacs). Loans to the extent of ₹ 2325.00 lacs (previous year ₹ 1995.00 lacs) are further secured by way of second charge on current assets, on pari-passu basis. The rate of interest on aforesaid loans are linked to the specific banks' Prime Lending Rate (PLR).



- (b) Rupee term loan of ₹ 1750.00 lacs (previous year ₹ 3000.00 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). The rate of interest on aforesaid loan is linked to bank's Prime Lending Rate (PLR).
- (c) Rupee term loan of ₹ 114.93 lacs (previous year ₹ 63.31 lacs) from Allahabad Bank, secured by way of exclusive charge on the vehicles financed out of the said term loan. The rate of interest on aforesaid loan is linked to bank's Prime Lending Rate (PLR).
- (d) Rupee term loan of ₹ 1820.00 lacs (previous year ₹ 2640.00 lacs) against corporate guarantee given by JTEKT Corporation, Japan.
- (e) Rupee term loans of ₹ 1678.38 lacs (previous year ₹ 1922.00 lacs) are secured by first pari-passu charge over the entire movable and immovable fixed assets of the Company and second charge on the current assets of the Company. The rate of interest on aforesaid loans are linked to the specific banks 'Base Rate'.
- (f) Rupee term loans of ₹ nil (previous year ₹ 0.36 lacs) is secured by hypothecation on the specific vehicle financed.

## 2. Indian rupee loan from financial institution :

Rupee term loans of ₹ 108.96 lacs (previous year ₹ 160.96 lacs) from financial institution is secured by way of hypothecation on all movable fixed assets acquired under direct credit scheme of SIDBI and whole of the current assets both present and future of the Company. The term loan is further secured by way of equitable mortgage in favour of SIDBI of all the immovable properties of the Company.

## 3. Indian rupee loan from NBFC include :

Rupee term loan of ₹ 680.52 lacs (previous year ₹ 874.95 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. The rate of interest on aforesaid loan is linked to NBFC's Prime Lending Rate (PLR).

## 4. Foreign currency loans from banks include :

- (a) Foreign currency loan of USD 4 million equivalent to ₹ 2046.00 lacs (previous year ₹ nil) from Standard Chartered Bank is secured by first charge on movable and immovable fixed assets except assets exclusively charged to other banks. The loan carries interest @ LIBOR plus 3%.
- (b) Foreign currency loan of USD 5 million equivalent to ₹ 2512.50 lacs (previous year ₹ nil) from Standard Chartered Bank on fully hedged basis is secured by first charge on movable and immovable fixed assets except assets exclusively charged to other banks. The loan carries interest @ 10.28% p.a.
- (c) Foreign currency loans of ₹ 6579.53 lacs (previous year ₹ 5711.23 lacs) against corporate guarantee given by JTEKT Corporation, Japan.

## 5. Terms of repayment:

The above said loans are repayable as per the repayment schedule below :

(₹ / Lacs)

Sl.No.	Loan amount	No of instalments due	Each instalment amount	Periodicity	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
1.	6751.35	18	375.00	Quarterly	1125.00	1500.00	1500.00	1500.00	1126.35	-
2.	3979.00	19	229.20	Quarterly	687.60	916.80	916.80	916.80	541.00	-
3.	1750.00	7	250.00	Quarterly	750.00	1000.00	-	-	-	-
4.	2325.00	15	155.00	Quarterly	620.00	620.00	620.00	465.00	-	-
5.	924.79	19	50.00	Quarterly	200.00	200.00	200.00	200.00	124.79	-
6.	958.33	23	41.67	Quarterly	166.67	166.67	166.67	166.67	166.67	124.98
7.	680.52	14	48.61	Quarterly	194.43	194.43	194.43	97.23	-	-
8.	2046.00	8	255.75	Half Yearly	255.75	511.50	511.50	511.50	255.75	-
9.	2512.50	16	157.03	Quarterly	-	628.13	628.13	628.13	628.11	-
10.	114.93	0	2.90	Monthly	34.74	34.74	34.74	10.71	-	-
11.	820.00	2	410.00	Half Yearly	820.00	-	-	-	-	-
12.	1000.00	7	143.00	Half Yearly	286.00	286.00	428.00	-	-	-
13.	1820.00	5	364.27	Half Yearly	364.27	728.55	727.18	-	-	-
14.	3442.45	4	860.61	Half Yearly	-	1721.23	1721.23	-	-	-
15.	1317.08	4	329.27	Half Yearly	-	658.53	658.55	-	-	-
16.	1494.89	14	106.78	Quarterly	427.11	427.11	427.11	213.56	-	-
17.	183.49	16	11.47	Quarterly	-	45.87	45.87	45.87	45.87	-
18.	108.96	21	5.00	Monthly	60.00	45.00	-	-	-	-
		1	3.96		-	3.96	-	-	-	-
	32229.29				5991.57	9688.52	8780.21	4755.47	2888.54	124.98

Particulars	As at 31st March, 2012 (₹ / Lacs)	As at 31st March, 2011 (₹ / Lacs)
<b>NOTE 5 - DEFERRED TAX LIABILITIES (NET)</b>		
<b>Deferred tax liability</b>		
Depreciation	4710.25	4056.26
<b>Gross deferred tax liability</b>	<u>4710.25</u>	<u>4056.26</u>
<b>Deferred tax assets</b>		
Impact of expenditure charged to the statement of profit and loss in the current year but allowed for tax purposes on payment basis	310.89	208.56
Impact of payment made during the year and allowable for tax in subsequent year on the basis of payment of TDS thereon	32.45	-
Expenses incurred u/s 35D of I.T. Act	0.08	0.12
Carry forward of un-absorbed depreciation & business loss as per income tax provisions	124.71	312.96
Others	270.15	-
	<u>738.28</u>	<u>521.64</u>
<b>Net deferred tax liability/(asset)</b>	<u>3971.97</u>	<u>3534.62</u>

The deferred tax asset on un-absorbed depreciation and business loss has been recognised in case of a subsidiary based on the profits for the year and in future as per the letter of intent in hand from customers and in case of Sona Stampings Limited, since the subsequent realisation of such amount is not virtually certain in near future, the management is of the view that it is prudent to recognise the deferred tax asset only to the extent of deferred tax liability.

#### NOTE 6 - OTHER LONG TERM LIABILITIES

Other payables *	1.40	26.75
	<u>1.40</u>	<u>26.75</u>

\* Comprises of dues on account of capital items.

Long-term		Short-term	
As at 31st March, 2012 (₹ / Lacs)	As at 31st March, 2011 (₹ / Lacs)	As at 31st March, 2012 (₹ / Lacs)	As at 31st March, 2011 (₹ / Lacs)

#### NOTE 7 - PROVISIONS

##### Provision for employee benefits

Gratuity	8.61	6.93	4.21	8.63
Leave encashment (refer note 27)	396.29	367.70	50.22	49.86
	<u>404.90</u>	<u>374.63</u>	<u>54.43</u>	<u>58.49</u>

##### Other provisions

Income tax [net of advance tax & TDS of ₹ 3834.36 lacs (previous year ₹ 153.77 lacs)]	-	-	115.32	285.07
Proposed dividend	-	-	1291.82	1291.82
Corporate dividend tax	-	-	209.57	209.57
Warranty claims	40.83	31.50	179.39	121.82
Provision for MTM losses	-	-	1.06	-
	<u>40.83</u>	<u>31.50</u>	<u>1797.16</u>	<u>1908.28</u>
	<u>445.73</u>	<u>406.13</u>	<u>1851.59</u>	<u>1966.77</u>

Particulars	As at 31st March, 2012 (₹ / Lacs)	As at 31st March, 2011 (₹ / Lacs)
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#### NOTE 8 - SHORT TERM BORROWINGS

Cash credit / loans repayable on demand from banks (secured)	1604.43	515.25
Loans repayable on demand from financial institution (secured)	126.99	43.83
Loans repayable on demand from banks (unsecured)	1790.09	2669.12
	<b>3521.51</b>	<b>3228.20</b>

Cash credit/loans repayable on demand from banks / financial institution are secured by hypothecation of inventories, book debts and other receivables both present & future and second pari-passu charge on movable and immovable fixed assets of the Company.

Loans repayable on demand from banks (unsecured) are against corporatae guarantee given by JTEKT Corporation, Japan.

#### NOTE 9 - TRADE PAYABLES

Trade payables (including acceptances)	20329.36	19369.14
	<b>20329.36</b>	<b>19369.14</b>

#### NOTE 10 - OTHER CURRENT LIABILITIES

Current maturities of long-term borrowings (refer note 4)	5991.57	5704.10
Interest accrued but not due on borrowings	77.09	45.95
Unclaimed dividends *	53.55	38.99
Security deposits	21.19	8.69
Taxes payable **	1156.63	674.47
Interest free advances from customers	261.30	217.10
Other payables***	2395.74	1405.91
	<b>9957.07</b>	<b>8095.21</b>

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

\*\* Taxes payable includes withholding tax, excise, sales tax etc.

\*\*\* Other payables includes, payment due to employees, dues on account of capital items, contribution to PF, ESI, etc.

#### NOTE 11 - FIXED ASSETS

(₹ / Lacs)

Sl. No.	Assets	Gross block (at cost)				Depreciation/Amortization				Net block		
		As at 01.04.11	Additions	Sales/ disposal	Other adjustments#	As at 31.03.12	As the 1.04.11	For the year	Written back	Up to 31.03.12	As at 31.03.12	As at 01.04.11
Tangible Assets												
1.	Freehold land	3218.56	-	-	-	3218.56	-	-	-	-	3218.56	3218.56
2.	Leasehold land	221.50	-	-	-	221.50*	2.76	2.55	-	5.31	216.19	218.74
3.	Buildings	10132.92	2274.90	0.52	217.40	12624.70	1322.83	376.47	0.01	1699.29	10925.41	8810.09
4.	Leasehold improvements	19.51	-	-	-	19.51	4.23	3.90	-	8.13	11.38	15.28
5.	Plant & machinery	43380.60	6398.34	41.08	564.21	50302.07	14539.42	3133.93	29.98	17643.37	32658.70	28841.18
6.	Jigs & fixtures	569.92	98.18	2.01	-	666.09	168.84	44.63	0.27	213.20	452.89	401.08
7.	Electric installations	2540.76	465.94	0.57	7.11	3013.24	650.34	192.21	0.01	842.54	2170.70	1890.42
8.	Furniture & fixtures	802.02	93.56	4.46	0.95	892.07	367.31	49.04	2.60	413.75	478.32	434.71
9.	Office equipments	2478.62	297.07	547.35	6.27	2234.61	1494.41	187.13	515.74	1165.80	1068.81	984.21
10.	Vehicles	373.80	115.78	40.30	0.25	449.53	112.22	67.92	31.59	148.55	300.98	261.58
11.	R&D-plant & machinery	439.56	18.53	-	-	458.09	103.56	24.52	-	128.08	330.01	336.00
12.	R&D-office equipments	88.34	12.54	-	-	100.88	82.74	3.43	-	86.17	14.71	5.60
Sub total		64266.11	9774.84	636.29	796.19	74200.85	18848.66	4085.73	580.20	22354.19	51846.66	45417.45
Previous year		59549.35	5852.16	1253.78	118.38	64266.11	15706.89	3515.64	373.87	18848.66	45417.45	

Sl. No.	Assets	Gross block (at cost)				Depreciation/Amortization				Net block		
		As at 01.04.11	Additions	Sales/ disposal	Other adjustments <sup>#</sup>	As at 31.03.12	As the 1.04.11	For the year	Written back	Up to 31.03.12	As at 31.03.12	As at 01.04.11
Intangible Assets												
1.	R&D-computer softwares	55.73	6.60	-	-	62.33	35.93	8.60	-	44.53	17.80	19.80
2.	Computer softwares	157.01	404.83	-	1.60	563.44	34.29	57.66	-	91.95	471.49	122.72
3.	Technical know-how	240.80	326.85	-	0.05	567.70	10.53	117.95	-	128.48	439.22	230.27
4.	New product development	1610.66	966.97	-	-	2577.63	559.87	305.03	-	864.90	1712.73	1050.79
Sub total		2064.20	1705.25	-	1.65	3771.10	640.62	489.24	-	1129.86	2641.24	1423.58
Previous year		1303.41	760.79	-	-	2064.20	382.53	258.09	-	640.62	1423.58	
Total		66330.31	11480.09	636.29	797.84	77971.95	19489.28	4574.97	580.20	23484.05	54487.90	46841.03
Previous year		60852.76	6612.95	1253.78	118.38	66330.31	16089.42	3773.73	373.87	19489.28	46841.03	
Capital work in progress - tangible assets											3986.43	1466.34
Capital work in progress - intangible assets											623.43	930.31
											4609.86	2396.65

\* Leasehold land includes ₹ 221.50 lacs (previous year ₹ 221.50 lacs) in respect of which lease deed is pending for execution.

# Other adjustments comprises of borrowing cost and foreign currency exchange differences.

Particulars	As at 31st March, 2012 (₹ / Lacs)	As at 31st March, 2011 (₹ / Lacs)
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#### NOTE 12 - NON CURRENT INVESTMENTS

##### Trade investments (valued at cost unless stated otherwise)

##### Unquoted equity instruments, fully paid up

133334 (previous year 133334) equity shares of ₹ 10/- each in Roop Automotive Ltd.	20.00	20.00
4929636 (previous year 4929636) equity shares of Euro 1 each, in Fuji Autotech Europe S.A.S. (Incorporated in France)	2932.10	2932.10
	<b>2952.10</b>	<b>2952.10</b>

Non-current		Current	
As at 31st March, 2012 (₹ / Lacs)	As At 31st March, 2011 (₹ / Lacs)	As at 31st March, 2012 (₹ / Lacs)	As at 31st March, 2011 (₹ / Lacs)

#### NOTE 13 - LOANS AND ADVANCES

(Unsecured, considered good)

<b>Capital advances</b>	<b>1850.52</b>	<b>1789.05</b>	<b>-</b>	<b>-</b>
	<b>1850.52</b>	<b>1789.05</b>	<b>-</b>	<b>-</b>
<b>Security deposits</b>	<b>319.91</b>	<b>306.24</b>	<b>70.27</b>	<b>86.32</b>
	<b>319.91</b>	<b>306.24</b>	<b>70.27</b>	<b>86.32</b>
<b>Other loans and advances</b>				
Advance recoverable in cash or kind	-	-	240.50	804.91
Loans and advances to employees	13.21	9.49	47.29	76.05
Prepaid expenses	2.55	12.23	106.75	120.48
Balance with custom, excise and sales tax authorities	22.09	15.95	2359.27	3451.97
Minimum alternate tax (MAT) credit entitlement	59.37	12.99	533.48	959.57
Advance income tax [net of provision for income tax ₹ 1298.72 lacs (previous year ₹ 2392.42 lacs)]	-	-	255.75	6.00
	<b>97.22</b>	<b>50.66</b>	<b>3543.04</b>	<b>5418.98</b>
	<b>2267.65</b>	<b>2145.95</b>	<b>3613.31</b>	<b>5505.30</b>

Particulars	Non-current		Current	
	As at 31st March, 2012 (₹ / Lacs)	As At 31st March, 2011 (₹ / Lacs)	As at 31st March, 2012 (₹ / Lacs)	As at 31st March, 2011 (₹ / Lacs)

#### NOTE 14 - OTHER ASSETS

(Unsecured, considered good)

Non-current bank balances (refer note 17)*	37.21	35.50	-	-
Unamortized premium on forward contracts	-	-	11.43	60.21
Claims receivable	-	-	376.47	79.89
Interest accrued but not due	-	-	1.89	4.94
Unbilled revenue	-	-	1372.32	328.44
Other receivable	-	-	621.52	1136.28
	<u>37.21</u>	<u>35.50</u>	<u>2383.63</u>	<u>1609.76</u>

\* Held as margin money deposits against bank guarantees and letter of credit.

As at 31st March, 2012 (₹ / Lacs)	As at 31st March, 2011 (₹ / Lacs)
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#### NOTE 15 - INVENTORIES

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

Raw materials and components *	2993.86	4065.40
Work-in-progress**	1192.38	1596.69
Finished goods ***	483.22	528.92
Stock-in-trade	4.51	10.73
Stores and spares	847.27	769.34
Loose tools	548.91	548.01
	<u>6070.15</u>	<u>7519.09</u>

\* Includes material in transit ₹ 80.55 lacs (previous year ₹ 41.94 lacs)

\*\* Includes goods in transit ₹ 225.13 lacs (previous year ₹ 116.91 lacs)

\*\*\* Includes goods in transit ₹ 62.71 lacs (previous year ₹ 77.97 lacs)

#### NOTE 16 - TRADE RECEIVABLES

(Unsecured, considered good)

Receivables outstanding for a period exceeding six months from the date they are due for payment	77.03	66.75
Other receivables	<u>17442.46</u>	<u>16109.99</u>
	<u>17519.49</u>	<u>16176.74</u>

Non-current		Current	
As at 31st March, 2012 (₹ / Lacs)	As At 31st March, 2011 (₹ / Lacs)	As at 31st March, 2012 (₹ / Lacs)	As at 31st March, 2011 (₹ / Lacs)

#### NOTE 17 CASH AND BANK BALANCES

(Unsecured, considered good)

##### Cash and cash equivalents

Balances with banks:

Current accounts	-	-	1112.99	966.96
Deposits with original maturity of less than 3 months	-	-	-	167.12
Unpaid dividend account	-	-	53.55	38.99
Cash on hand	-	-	7.92	13.47
<b>Sub-total</b>	<u>-</u>	<u>-</u>	<u>1174.46</u>	<u>1186.54</u>

##### Other bank balances

Fixed deposits with original maturity for more than 3 months and less than 12 months	-	-	55.55	3.00
Fixed deposits with original maturity for more than 12 months	37.21	35.50	-	-
<b>Sub-total</b>	<u>37.21</u>	<u>35.50</u>	<u>55.55</u>	<u>3.00</u>

Amount disclosed under non-current assets (refer note 14)	<u>(37.21)</u>	<u>(35.50)</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<u>-</u>	<u>-</u>	<u>1230.01</u>	<u>1189.54</u>

Particulars	Year ended 31st March, 2012 (₹ / Lacs)	Year ended 31st March, 2011 (₹ / Lacs)
<b>NOTE 18 - REVENUE FROM OPERATIONS</b>		
Sale of products	156589.63	133819.91
Sale of services	287.42	301.95
Other operating revenues :		
Scrap sales	611.47	395.14
Others	116.23	15.77
	<u>157604.75</u>	<u>134532.77</u>
Less:		
Excise duty (refer note 35)	15479.74	13854.49
	<u>142125.01</u>	<u>120678.28</u>
<b>NOTE 19 - OTHER INCOME</b>		
Interest income	31.64	32.66
Foreign exchange gain (net)	0.20	50.21
Dividend from long term trade investments	14.00	7.00
Lease rental income	-	0.70
Gain on sale of fixed assets (net)	0.88	-
Other non-operating income	261.79	215.70
	<u>308.51</u>	<u>306.27</u>
Share in joint ventures	-	29.19
	<u>308.51</u>	<u>335.46</u>
<b>NOTE 20 - CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN PROGRESS AND STOCK-IN-TRADE</b>		
<b>Inventories at the beginning of the year</b>		
Work-in-progress	1596.69	502.50
Finished goods	528.92	466.39
Stock-in-trade	10.73	3.83
	<u>2136.34</u>	<u>972.72</u>
<b>Inventories at the end of the year</b>		
Work-in-progress	1192.38	1596.69
Finished goods	483.22	528.92
Stock-in-trade	4.51	10.73
	<u>1680.11</u>	<u>2136.34</u>
Changes in inventories	456.23	(1163.62)
Excise duty on increase / (decrease) in finished goods (refer note 35)	5.45	8.06
	<u>461.68</u>	<u>(1155.56)</u>
<b>NOTE 21 - EMPLOYEE BENEFIT EXPENSES</b>		
Salaries, wages and allowances	8558.97	7024.60
Contribution to provident and other funds	806.55	555.75
Employees welfare expenses	1962.87	1215.72
	<u>11328.39</u>	<u>8796.07</u>
Share in joint ventures	-	78.77
	<u>11328.39</u>	<u>8874.84</u>
<b>NOTE 22 - FINANCE COSTS</b>		
Interest on loans	3509.53	3346.30
Other borrowing costs	54.58	101.05
Other Interest	25.87	18.89
Bank and other finance charges	69.58	78.08
Cash discount	422.62	392.99
Exchange difference to the extent considered as an adjustment to borrowing costs	510.91	341.63
	<u>4593.09</u>	<u>4278.94</u>
Share in joint ventures	-	88.20
	<u>4593.09</u>	<u>4367.14</u>



Particulars	Year ended 31st March, 2012 (₹ / Lacs)	Year ended 31st March, 2011 (₹ / Lacs)
<b>NOTE 23 - DEPRECIATION AND AMORTIZATION EXPENSES</b>		
Depreciation of tangible assets	4085.73	3441.77
Amortization of intangible assets	489.24	258.09
	<u>4574.97</u>	<u>3699.86</u>
Share in joint ventures	-	73.87
	<u>4574.97</u>	<u>3773.73</u>
<b>NOTE 24 - OTHER EXPENSES</b>		
Stores and spare parts consumed	1672.01	1582.96
Loose tools consumed	903.62	723.93
Power and fuel	2064.00	1857.64
Testing and development expenses	0.54	2.91
Repairs and maintenance - plant & machinery	547.28	623.20
Royalty	1374.12	886.19
Rent	212.15	230.18
Rates and taxes	101.16	68.48
Insurance	62.39	46.63
Repair and maintenance - buildings	60.68	45.94
Repair and maintenance - others	326.08	258.67
Travelling, conveyance and vehicle expenses	949.54	906.42
Communication & stationery expenses	258.06	221.99
Legal & professional charges	1100.77	699.34
Security charges	161.54	132.97
Business promotion	113.70	85.98
Premium on forward exchange contract amortized	150.51	102.11
Provision for mark-to-market losses on derivative contracts	1.06	-
Foreign exchange loss (net)	760.09	281.70
Forwarding expenses	1148.44	1507.53
Packing material	559.43	559.49
Commission to non whole time directors	63.20	54.00
Directors' sitting fees	10.60	10.60
Bad debts / advances written off	-	19.61
Less: written off against provision	-	(19.61)
Loss on sale of fixed assets (net)	34.55	21.88
Payments to auditors		
As Auditors		
Audit fee	23.63	14.35
Tax audit fee	5.25	5.25
Limited review & consolidation	16.10	6.25
In other capacity		
Taxation matters	-	1.40
Other services (certifications fee)	6.35	3.21
Miscellaneous expenses	414.86	377.06
	<u>13101.71</u>	<u>11318.26</u>
Share in joint ventures	-	114.73
	<u>13101.71</u>	<u>11432.99</u>
<b>NOTE 25 - EXCEPTIONAL ITEMS</b>		
Net (gain)/loss on sale of long term investments	-	(579.34)
	<u>-</u>	<u>(579.34)</u>
<b>NOTE 26 - EARNINGS PER SHARE</b>		
Net profit after tax	4870.92	4463.33
Profit/(loss) attributable to the equity shareholders (A)	4870.92	4463.33
Basic/weighted average number of equity shares outstanding during the year (nos.) (B)	19,87,41,832	19,87,41,832
Nominal value of equity shares (in ₹)	1.00	1.00
Earnings per equity share (in ₹)		
Basic (A/B)	2.45	2.25
Diluted (A/B)	2.45	2.25

Particulars	Current year 31st March, 2012 (₹ / Lacs)	Previous year 31st March, 2011 (₹ / Lacs)
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#### NOTE 27 - DEFINED BENEFIT PLANS

- i) The group has recognised, in the statement of profit and loss for the year ended March 31, 2012 an amount of ₹ 591.55 lacs (previous year ₹ 478.43 lacs) as expenses under defined contribution plans. Contribution to defined contribution plans include:

a) Employer's contribution to provident fund	440.80	340.54
b) Employer's contribution to superannuation fund	120.54	105.05
c) Employer's contribution to Employee State Insurance Corporation	30.21	32.84
	<b>591.55</b>	<b>478.43</b>

The expense is disclosed in the line item - Contribution to provident and other funds in note 21.

- 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 (₹/Lacs)	Previous year (₹/Lacs)	Current year (₹/Lacs)	Previous year (₹/Lacs)
1. Reconciliation of opening and closing balances of obligations :				
a) Obligation as at April 01, 2011	935.41	716.12	417.56	273.58
b) Current service cost	109.92	82.18	86.44	101.62
c) Interest cost	75.78	57.28	33.82	21.84
d) Actuarial (gain) / loss	102.03	121.61	(21.80)	70.25
e) Benefits paid	(51.79)	(41.77)	(69.52)	(49.71)
f) Obligation as at March 31, 2012	1171.35	935.42	446.50	417.58
2. Change in plan assets (reconciliation of opening and closing balances) :				
a) Fair value of plan assets as at April 01, 2011	949.57	866.01	-	-
b) Prior period adjustment	-	-	-	-
c) Expected return on plan assets	98.68	81.99	-	-
d) Contributions	184.80	43.09	-	-
e) Benefits paid	(51.79)	(41.77)	-	-
f) Actuarial gain / (loss) on plan assets	1.06	(0.03)	-	-
g) Fair value of plan assets as at March 31, 2012	1182.32	949.29	-	-
3. Reconciliation of fair value of assets and obligations :				
a) Present value of obligation as at March 31, 2012	1171.35	935.42	446.50	417.58
b) Fair value of plan (assets) as at March 31, 2012	(1182.32)	(949.29)	-	-
c) Unfunded amount recognised in the balance sheet	- *	- *	446.50	417.58
* 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.				
4. Expense recognised during the year :				
a) Current service cost	109.92	82.18	86.44	101.62
b) Interest cost	75.78	57.28	33.82	21.84
c) Expected return on plan assets	(98.68)	(81.99)	-	-
d) Actuarial (gain) / loss	100.97	121.64	(21.80)	70.25
e) Expenses recognised during the year	187.99	179.11	98.46	193.71
5. Assumptions :				
a) Discount rate (per annum)	8.25% to 8.70%	8% to 8.5%		
b) Expected rate of return on plan assets (per annum)	8.25% to 9.4%	7.5% to 9.4%		
c) Rate of increase in compensation level (per annum)	6.5% to 10%	5% to 10%		

The estimates of future salary increases, considered in actuarial valuation, takes 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.

The expected return on assets over the accounting period is 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.

## NOTE 28 - LEASES

### (a) Operating lease: Company as lessee

The Group has taken various residential, office premises and vehicles under operating lease or license agreements. These are cancellable; 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 statement of profit and loss in the year incurred.

The Group has taken cars for its employees under operating lease agreement. An amount of ₹ 72.96 lacs (previous year ₹ 68.18 lacs) is recognised as lease expenses against cars in the statement of profit and loss for the year ended March 31, 2012. The future minimum lease payments are as follows:

	Current year (₹ / Lacs)	Previous year (₹ / Lacs)
Within one year	108.04	58.41
After one year but not more than five years	129.41	58.00
	<u>237.45</u>	<u>116.41</u>

## NOTE 29 - FIXED ASSETS / CAPITAL WORK IN PROGRESS INCURRED DURING THE YEAR INCLUDES :

a) Technical know-how fees	731.50	491.57
b) Professional charges	133.73	23.18
c) Technical support charges	21.05	1.90
d) Components, tools & spares	675.36	477.84
e) Traveling expenses	71.46	43.65
f) Interest to banks	176.87	118.38
g) Loss on foreign exchange fluctuations on ECB loan	550.13	-
h) Others	523.76	51.32
i) Salary	330.02	-
	<u>3213.88</u>	<u>1207.84</u>

Note : Excluding expenditure incurred during construction period (pending allocation)

## NOTE 30 - SEGMENT REPORTING

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.

## NOTE 31 - CAPITAL AND OTHER COMMITMENTS

I) Estimated amount of contracts remaining to be executed on capital account not provided for, net of advances	2426.03	2341.84
II) Other commitments (the parent company has given letters of comfort to banks to lend support to its subsidiaries against the sanctioned limit)	2639.00	2177.00
	<u>5065.03</u>	<u>4518.84</u>

## NOTE 32 - CONTINGENT LIABILITIES

I) Claims against the Company not acknowledged as debt on account of :		
a) Excise duty	1981.78	1322.54
b) Service tax	267.06	341.88
c) Local Area Development Tax	435.72	209.16
d) Income tax - matters in appeal	30.53	56.81
e) Warranties/customers	-	67.25
II) Customer bills discounted	1406.00	910.00
III) Letter of credit opened by banks for purchase of inventory / capital goods	1243.31	1015.32
IV) The Company has filed a writ petition with the Hon'ble High Court of Calcutta for injunction restraining the Govt. of West Bengal for acting in terms of the Singur Land Rehabilitation And Development Act, 2011, which is being heard by a Divisional Bench alongwith the appeals of Tata Motors Ltd. and their other vendors. Pending finalization of the case, the Company has not made any provision for the impairment of value of land.		
V) During the year under audit, search & seizure operation were carried out by Revenue Authorities on 29th November, 2011 on Parent Company and its subsidiary JTEKT Sona Automotive India Ltd. However neither any unexplained money, bullion or valuables were found nor there was any seizure. Additional tax liability, if any, shall be accounted for on creation of demand against the Companies.		

**NOTE 33 - 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:

	Current year		Previous year	
Nature of contracts	Contracts (nos.)	Amount (in lacs)	Contracts (nos.)	Amount (in lacs)
Forward contracts (JPY)	55	1729.59	34	3729.14
Rupee equivalent value	55	1083.61	34	2026.04
Forward contracts (USD)	1	50.00	-	-
Rupee equivalent value	1	2512.50	-	-

Un-hedged foreign currency exposure :

(In Lacs)

	Current year						
	CHF	EURO	USD	YEN	THB	GBP	SGD
Trade payables	0.62	1.75	37.19	1357.85	0.99	-	1.39
Rupee equivalent value	35.52	119.93	1902.49	849.88	1.61	-	56.85
ECB / long term borrowing	-	-	40.00	10512.12	-	-	-
Rupee equivalent value	-	-	2046.00	6579.53	-	-	-
Trade receivables and loans & advances	-	10.60	22.35	30.08	-	0.02	-
Rupee equivalent value	-	714.35	1130.55	18.47	-	1.94	-

(In Lacs)

	Previous year			
	CHF	EURO	USD	YEN
Trade payables	1.15	0.20	41.41	7125.06
Rupee equivalent value	56.57	12.78	1856.19	3871.06
ECB / long term borrowing	-	-	-	-
Rupee equivalent value	-	-	-	-
Trade receivables and loans & advances	-	12.39	28.71	10547.37
Rupee equivalent value	-	780.20	1274.93	5730.07

**NOTE 34 - DEFERRAL / CAPITALIZATION OF EXCHANGE DIFFERENCES**

The Ministry of Corporate Affairs (MCA) has issued the amendment dated 29th December, 2011 to AS 11. The effects of changes in foreign exchange rates, to allow companies deferral / capitalization of exchange differences arising on long-term foreign currency monetary items.

In accordance with the amendment to AS 11, the Group has capitalized the exchange loss to depreciable fixed assets arising on long-term foreign currency loans, amounting to ₹ 550.13 lacs for the year ended 31st March, 2012. The Group does not have any other long-term foreign currency monetary items. Hence, the amount of exchange loss deferred in the "Foreign currency monetary item translation difference account" is nil.

**NOTE 35** - The amount of excise duty disclosed as deduction from turnover is the total excise duty for the year except 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 note 20 annexed and forming part of statement of profit and loss.

**NOTE 36** - A provision is recognized for expected warranty claims on products sold during the last two to three years, based on past experience of the level of returns. It is expected that significant portion of these costs will be incurred in the next financial year and all will have been incurred within three years after reporting date. Assumptions used to calculate the provision for warranties were based on current sales level and current information available about returns based on the three year warranty period for products sold. The table below gives information about movement in warranty provisions.

Provision for warranty account details as required by AS - 29

Description	Current year (₹/Lacs)	Previous year (₹/Lacs)
Opening balance	153.32	97.69
Add : Addition during the year	276.12	207.45
Less : Charged off to the statement of profit and loss	209.22	151.81
Closing balance	220.22	153.33

The warranty expenses of ₹ 209.22 lacs (previous year ₹ 151.81 lacs) are charged off to statement of profit and loss included under the head forwarding expenses (refer note 24).

**37 (A) RELATED PARTY DISCLOSURES (TRANSACTIONS WITH RELATED PARTIES)**

(₹/Lacs)

PARTICULARS	SIGNIFICANT CONTROL (1)	SUBSTANTIAL INTEREST (2)	JOINT VENTURE (3)	OTHERS (SIGNIFICANT INFLUENCE) (4)	KEY MANAGEMENT PERSONNEL (5)	TOTAL (6)
PURCHASE OF GOODS		10591.57		12936.50		23528.07
Purchase of goods (previous year)		(11223.10)		(11779.10)		(23002.20)
PURCHASE OF CAPITAL GOODS		616.41		69.21		685.62
Purchase of capital goods (previous year)		(31.54)		(7.24)		(38.78)
CORPORATE GUARANTEE ON LOANS FROM BANKS		12369.53		-		12369.53
Corporate guarantee on loans from banks (previous year)		(10911.23)				(10911.23)
SALES OF GOODS		93.39		58108.86		58202.25
Sales of goods (previous year)		(61.16)	(33.46)	(59583.51)		(59678.13)
RENDERING OF SERVICES				210.56		210.56
Rendering of services (previous year)				(166.64)		(166.64)
RECEIVING OF SERVICES		2193.97		130.60		2324.57
Receiving of services (previous year)		(1317.50)	(39.13)	(162.64)		(1519.26)
REIMBURSEMENT OF EXPENSES RECOVERED		79.60		20.59		100.18
Reimbursement of expenses recovered (previous year)		(148.71)		(13.04)		(161.75)
REIMBURSEMENT OF EXPENSES PAID		11.63		13.81		25.44
Reimbursement of expenses paid (previous year)			(7.36)	(4.45)		(11.81)
CASH DISCOUNT PAID				418.49		418.49
Cash discount paid (previous year)				(495.19)		(495.19)
OTHER INCOME				1.15		1.15
Other income (previous year)				(2.63)		(2.63)
LEASING OF PREMISES RECEIVED						
Leasing of premises received (previous year)						
LEASING OF PREMISES PAID				12.84		12.84
Leasing of premises paid (previous year)				(12.63)		(12.63)
SALE OF LONG TERM INVESTMENT						
Sale of long term investment (previous year)				(13.14)		(13.14)
REMUNERATION *	183.91				830.29	1014.20
Remuneration (previous year)	(127.21)				(602.96)	(730.17)
DIRECTORS' SITTING FEE	0.40				4.00	4.40
Directors' sitting fee (previous year)	(0.40)				(3.90)	(4.30)
DIVIDEND PAID		259.66		414.15		673.80
Dividend paid (previous year)		(119.84)		(191.14)		(310.98)
OUTSTANDING BALANCE AS ON 31.03.2012 (DEBIT)				2201.52		2201.52
Outstanding balance as on 31.03.2011 (debit)			(8.06)	(1121.56)		(1129.62)
OUTSTANDING BALANCE AS ON 31.03.2012 (CREDIT)		3286.89		1867.98		5154.87
Outstanding balance as on 31.03.2011 (credit)		(4957.84)		(1345.68)		(6303.51)

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

2. \* Remuneration includes directors' commission, contribution to superannuation and provident fund.

Name of related parties &amp; description of relationship is as below :

- |   |  |
|---|--|
| 1. The individual/entity exercise control over the Company<br>2. The entity having substantial interest in the Company<br>3. Others (significant influence) | 1. Dr. Surinder Kapur<br>1. JTEKT Corporation<br>1. Sona Somic Lemforder Components Ltd.<br>2. Sona Okegawa Precision Forgings Ltd.<br>3. Mahindra Sona Ltd.<br>4. Maruti Suzuki India Ltd.<br>5. Sona e-Design and Technologies Ltd.<br>6. Fuji Autotech AB, Sweden<br>7. Pune Heat Treat Pvt. Ltd.<br>8. Sona Mobility Services Ltd.<br>9. Kapur Properties & Investment<br>10. Fuji Autotech Europe SAS<br>11. Sona Autocomp Holding Pvt. Ltd.<br>12. Mandira Marketing Ltd.<br>13. Koyo Singapore Bearings Pte Ltd.<br>14. Koyo Bearing India Pvt. Ltd.<br>15. Fuji Kiko Company Ltd. Japan<br>16. Douglas Autotech Corporation USA<br>17. Shye Fu Koyo Mechanical Industry Co Ltd. China<br>18. Summit Fuji Kido Kurata Co. Ltd. Thailand |
| 4. Key management personnel   | 1. Dr. Surinder Kapur - (transactions disclosed under category (1) above)<br>2. Mr. Sunjay Kapur<br>3. Mr. Kiran Deshmukh<br>4. Mr. P.V. Prabhu Parriker<br>5. Mr. Sudhir Chopra<br>6. Mr. Govindrajan Sunder Rajan<br>7. Mr. Waichiro Ijiri<br>8. Mr. Keiichi Sakamoto<br>9. Mr. R. Balaji<br>10. Mr. Takeshi Suzuki<br>11. Mr. Y. Takeda   |



**37 (B) - TRANSACTION IN EXCESS OF 10% OF THE TOTAL RELATED PARTY TRANSACTIONS**
**(₹ / Lacs)**

Relationship	Name of Party	Description of the nature of transaction	For the year ended 31.03.12	For the year ended 31.03.11
Other significant influence	Sona Somic Lemforder Components Ltd.	Purchase of goods	9687.43	8229.87
Substantial interest	JTEKT Corporation	Purchase of goods	10591.57	11223.10
Other significant influence	Sona e-design & Technologies Ltd.	Purchase of fixed assets	-	7.24
Substantial interest	JTEKT Corporation	Purchase of fixed assets	616.41	31.54
Other significant influence	Maruti Suzuki India Ltd.	Sales	56600.38	58886.54
Other significant influence	Sona Somic Lemforder Components Ltd.	Rendering of services	97.48	83.27
Other significant influence	Sona Okegawa Precision Forgings Ltd.	Rendering of services	97.48	83.27
Substantial interest	JTEKT Corporation	Receiving of services	2193.97	1317.50
Substantial interest	JTEKT Corporation	Reimbursement of expenses recovered	79.60	148.70
Other significant influence	Sona Somic Lemforder Components Ltd.	Reimbursement of expenses paid	11.30	-
Other significant influence	Mahindra Sona Ltd.	Reimbursement of expenses paid	-	1.86
Joint ventures	Sona Autocomp Inc.	Reimbursement of expenses paid	-	7.36
Other significant influence	Douglas Autotech Corp. USA	Reimbursement of expenses paid	-	2.32
Substantial interest	JTEKT Corporation	Reimbursement of expenses paid	11.63	-
Other significant influence	Maruti Suzuki India Ltd.	Cash discount paid	418.49	495.19
Other significant influence	Sona Okegawa Precision Forgings Ltd.	Other income	1.15	2.63
Other significant influence	Pune Heat Treat Pvt. Ltd.	Leasing of premises	9.24	9.24
Other significant influence	Kapur Properties & Investment	Leasing of premises	3.60	3.10
Substantial interest	JTEKT Corporation	Corporate guarantee on loans from bank	12369.53	10911.23
Substantial interest	JTEKT Corporation	Dividend paid	259.66	119.84
Other significant influence	Maruti Suzuki India Ltd.	Dividend paid	89.70	41.40
Other significant influence	Sona Autocomp Holding Pvt. Ltd.	Dividend paid	324.45	149.74
Other significant influence	Pune Heat Treat Pvt. Ltd.	Sale of long term investment	-	13.14
Significant control	Dr. Surinder Kapur	Remuneration & commission	183.91	127.21
Key management person	Mr. Sunjay Kapur	Remuneration & commission	316.14	300.66
Key management person	Mr. K.M. Deshmukh	Remuneration & commission	170.66	112.18
Key management person	Mr. Sudhir Chopra	Remuneration	108.00	77.39
Key management person	Mr. Govindrajan Sunder Rajan	Remuneration	-	77.57
Key management person	Mr. K.M. Deshmukh	Sitting fee	2.10	1.90
Key management person	Mr. Sudhir Chopra	Sitting fee	1.90	2.00
Other significant influence	Maruti Suzuki India Ltd.	Balances (debit)	1968.64	1068.01
Other significant influence	Mandira Marketing Ltd.	Balances (debit)	220.56	-
Other significant influence	Sona Somic Lemforder Components Ltd.	Balances (credit)	1406.02	1029.62
Substantial interest	JTEKT Corporation	Balances (credit)	3286.89	4957.84

**NOTE 38** - Prior period adjustment shown in reserve & surplus relates to adjustments due to disposal of investments in joint ventures in previous year.

**NOTE 39 - PREVIOUS YEAR FIGURES** - The Group was using pre-revised Schedule VI to the Companies Act, 1956, till the year ended 31st March, 2011, for preparation and presentation of its financial statements. During the year ended 31st March, 2012, the revised Schedule VI notified under the Companies Act, 1956, has become applicable to the Group. The Group has re-classified previous year figures to conform to this year's classification. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it significantly impacts presentation and disclosures made in the financial statements, particularly presentation of balance sheet.

As per our report of even date  
For S. P. Puri & Co.  
Chartered Accountants  
Firm Registration Number 001152N

Signature to Note 1 to 39

For and on behalf of the Board

(Rajiv Puri)  
Partner  
Membership no. : 84318  
Place : Gurgaon  
Dated : 1st May, 2012

Sudhir Chopra  
Company Secretary  
  
Rajiv Chanana  
Chief Financial Officer

Sunjay Kapur  
Vice Chairman & Managing Director  
  
Prem Kumar Chadha  
Director



Sona Koyo Steering Systems Ltd. - Centre of Excellence



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