



Investor Update – Q1 FY'15

Sona Koyo Steering Systems Ltd.

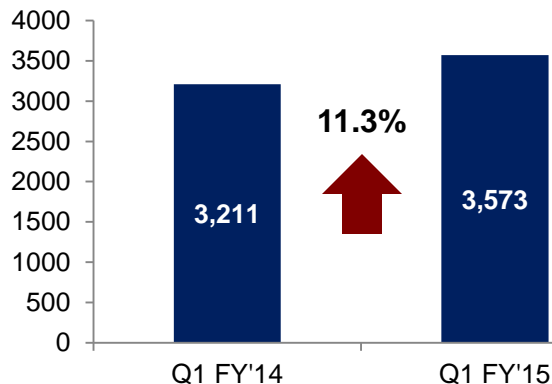


August 04, 2014

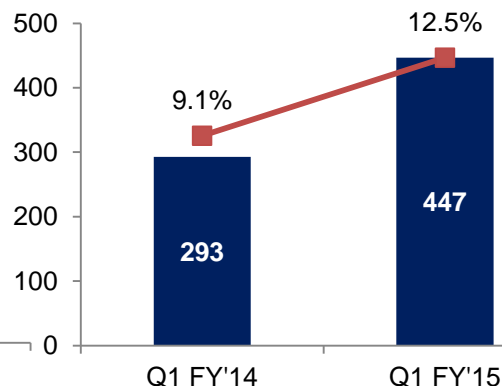
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Q1 FY'15 Consolidated: YoY expansion in EBITDA & PAT margin

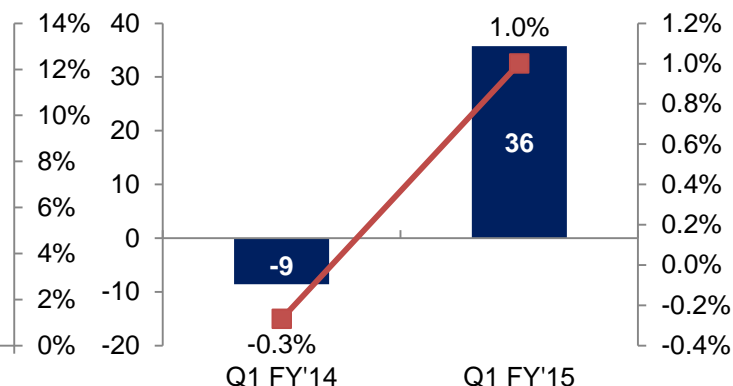
Revenue



EBITDA & EBITDA Margin

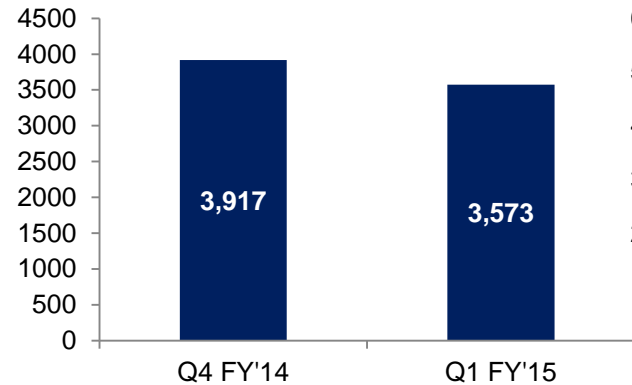


PAT & PAT Margin

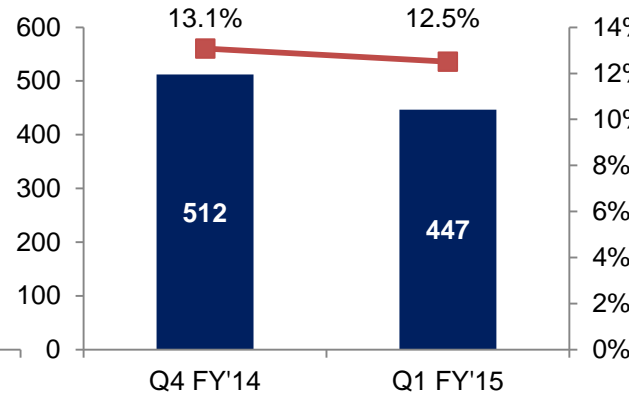


- Revenue increases 11.3% YoY to ₹3,572.6 mn in Q1 FY'15 compared to ₹3,210.8 mn in Q1 FY'14
- EBITDA increases 52.7% to ₹446.9 mn with margin improving to 12.5% in Q1 FY'15 from 9.1% in Q1 FY'14 due to:
 - ✓ Raw material cost declines to 67.8% in Q1 FY'15 from 68.3% in Q1 FY'14 due to higher sales realization and realization of tooling income
 - ✓ Staff cost declines to 9.6% in Q1 FY'15 from 10.7% in Q1 FY'14
 - ✓ Other expenditure declines to 10.1% in Q1 FY'15 from 11.9% in Q1 FY'14
- PAT after minority interest and share of loss of associate increases to ₹35.8 mn in Q1 FY'15 compared to a loss of ₹8.6 mn in Q1 FY'14
 - ✓ Finance charges decrease by 28.3% due to lower debt

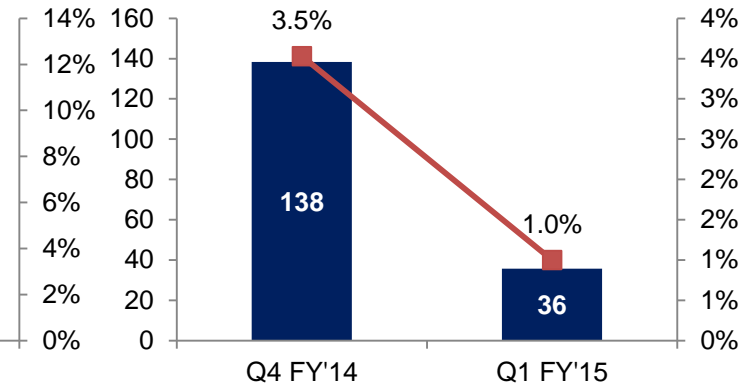
Revenue



EBITDA & EBITDA Margin



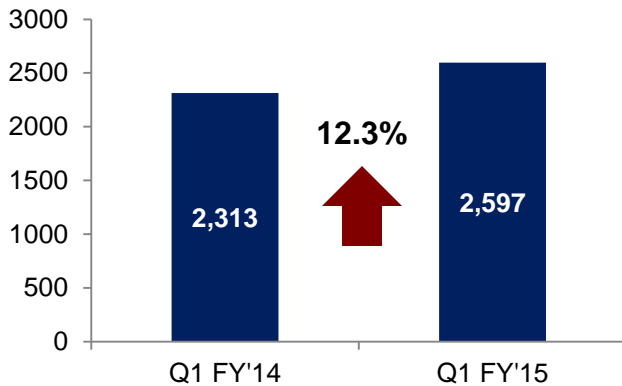
PAT & PAT Margin



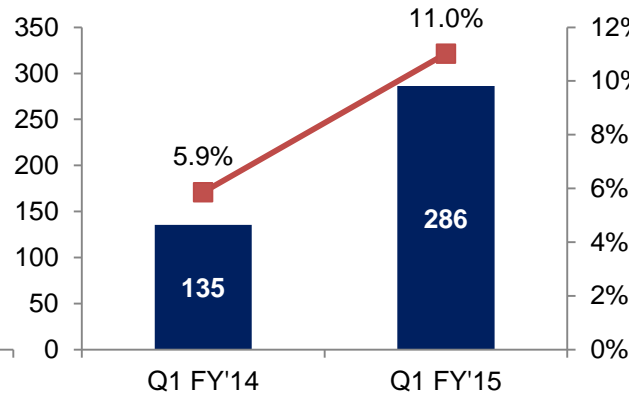
- Total revenue declines by 8.8% at ₹3,572.6 mn in Q1 FY'15 compared to ₹3,916.6 mn in Q4 FY'14
- EBITDA margin at 12.5% in Q1 FY'15 compared to 13.1% in Q4 FY'14 due to
 - ✓ Staff cost increases to 9.6% in Q1 FY15 compared to 8.9% in Q4 FY'14
- PAT after minority interest and share of loss of associate at ₹35.8 mn in Q1 FY'15 compared to ₹138.3 mn in Q4 FY'14 due to
 - ✓ Depreciation and amortization expenses increase by 37.7% due to adoption of the revised estimation of the useful life of the fixed assets*

Q1 FY'15 standalone: Robust YoY growth in revenue

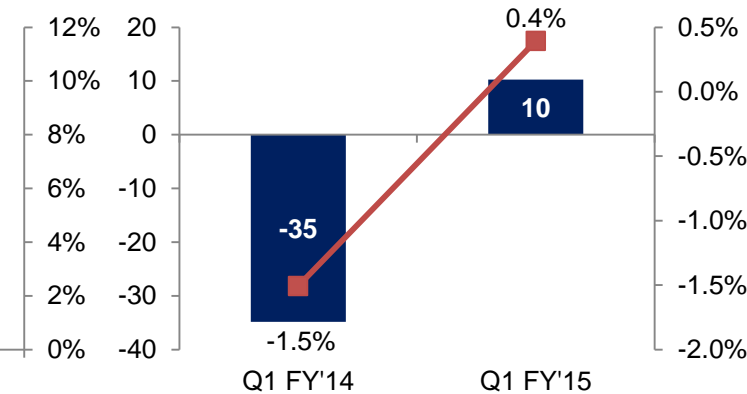
Revenue



EBITDA & EBITDA Margin



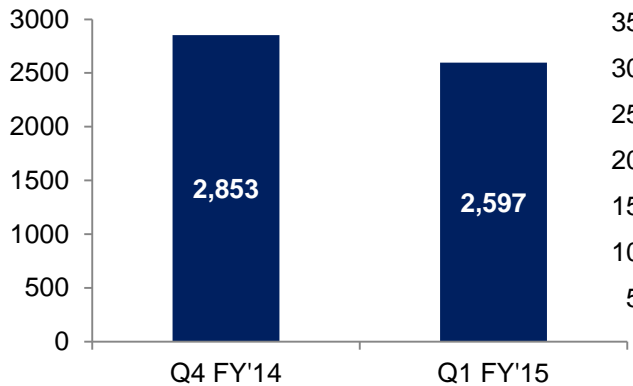
PAT & PAT Margin



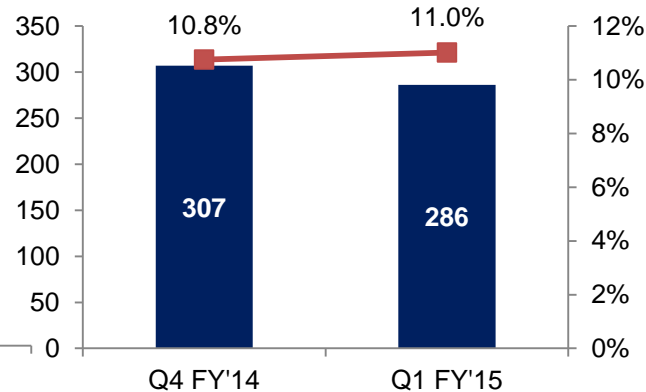
- Total revenue increases by 12.3% YoY to reach ₹2,597.4 mn in Q1 FY'15 compared to ₹2,312.6 mn in Q1 FY'14
- EBITDA margins increases to robust 11.0% in Q1 FY'15 compared to 5.9% in Q1 FY'14 due to:
 - ✓ Raw material cost declines to 67.7% in Q1 FY'15 compared to 68.9% in Q1 FY'14 due to realization of tooling income and higher sales realization
 - ✓ Staff cost declines to 10.7% in Q1 FY'15 compared to 12.5% in Q1 FY'14
 - ✓ Other expenditure declines to 10.6% in Q1 FY'15 compared to 12.7% in Q1 FY'14
- Company posts net profit of ₹10.2 mn with PAT margin at 0.4% compared to a loss of ₹34.9 mn in Q1 FY'14
 - ✓ Finance charges decrease by 29.8% due to lower debt

Q1 FY'15 Standalone: QoQ expansion in EBITDA margin

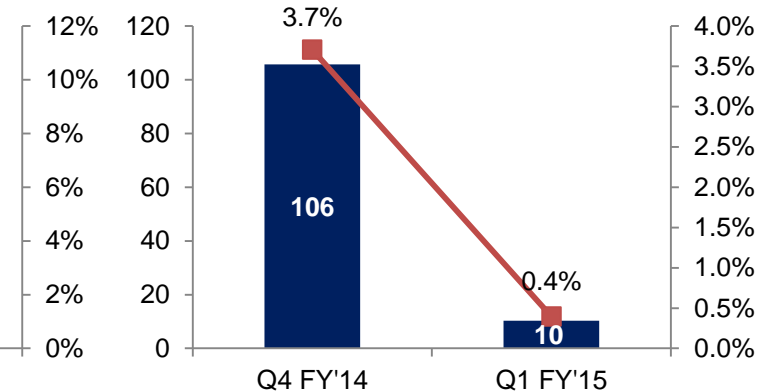
Revenue



EBITDA & EBITDA Margin

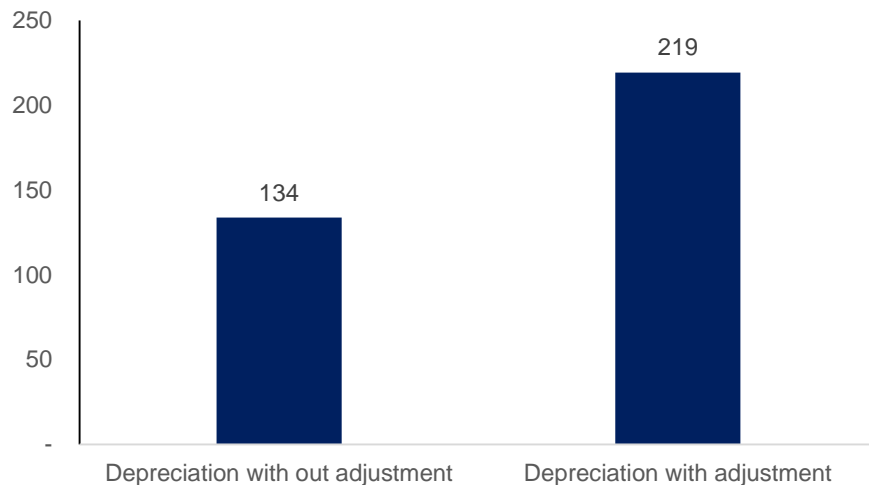


PAT & PAT Margin

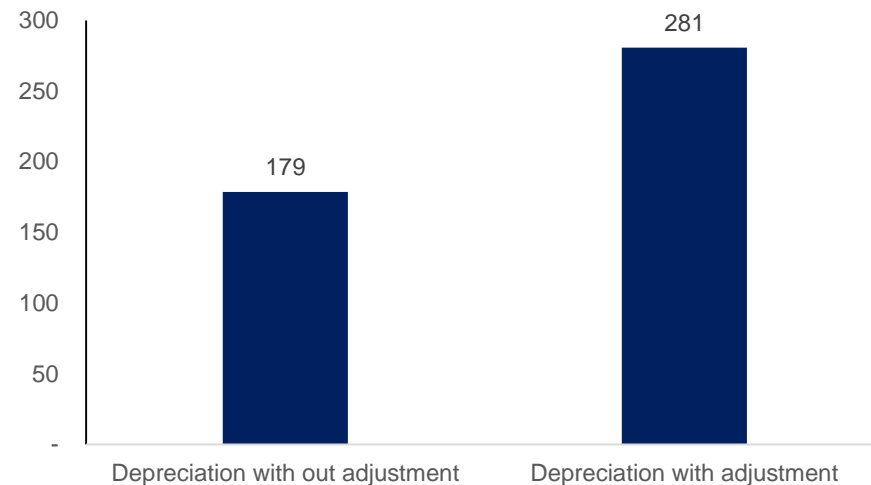


- Total revenue declines by 9.0% to reach ₹2,597.4 mn in Q1 FY'15 compared to ₹2,852.9 mn in Q4 FY'14
- EBITDA margin expands to 11.0% in Q1 FY'15 compared to 10.8% in Q4 FY'14 due to
 - ✓ Raw material cost declines to 67.7% in Q1 FY'15 compared to 68.4% in Q4 FY'14
- Company posts net profit of ₹10.2 mn with margin at 0.4%
 - ✓ Depreciation and amortization expenses increases by 57.7%

Standalone depreciation expenses



Consolidated depreciation expenses

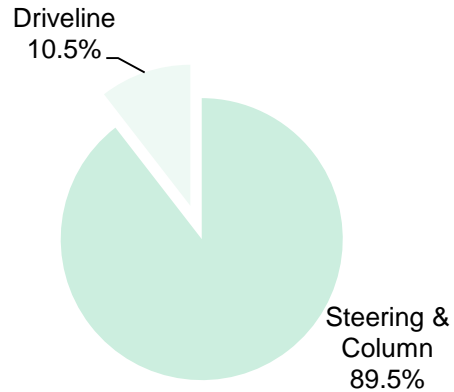


- Consolidated and standalone PBT is lower by ₹101.9 mn and ₹85.6 mn due to higher depreciation provided*
- Further, an amount of ₹75.6 mn, on a consolidated basis, and ₹64.8 mn, on a standalone basis, have been adjusted against the opening balance of retained earnings in respect of the residual value of assets wherein the remaining useful life has become nil

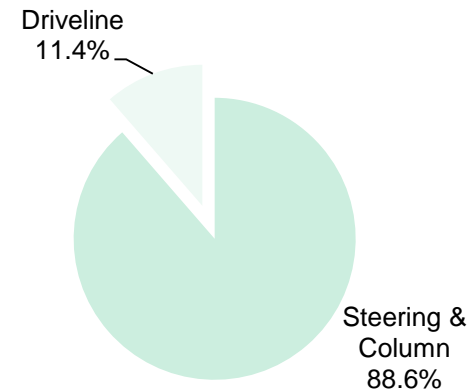
*Impact of higher depreciation on finished goods valuation is not considered above

Product Wise Sales Mix*

Q1 FY14



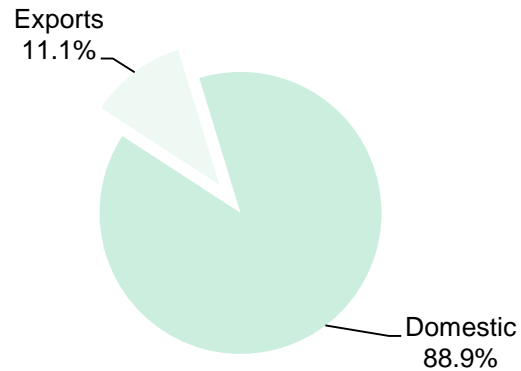
Q1 FY15



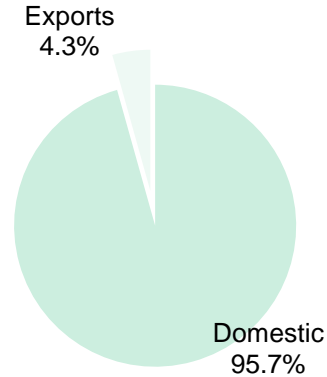
*Note: Break-up on gross basis, Steering & column product group includes EPAM sales

Geographic Sales Mix

Q1 FY14



Q1 FY15



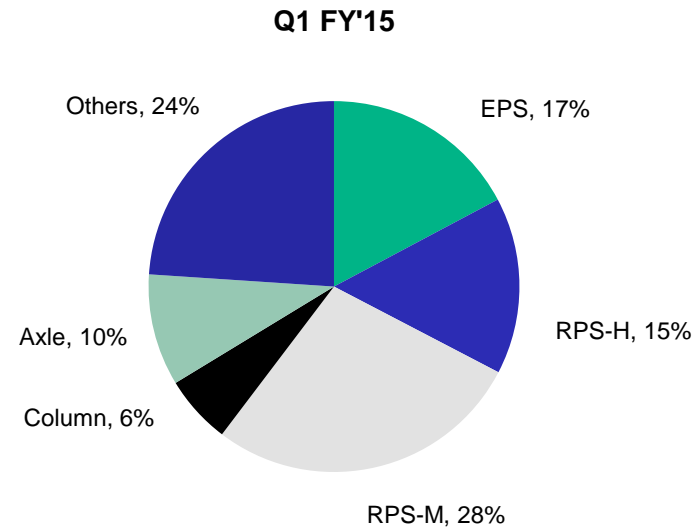
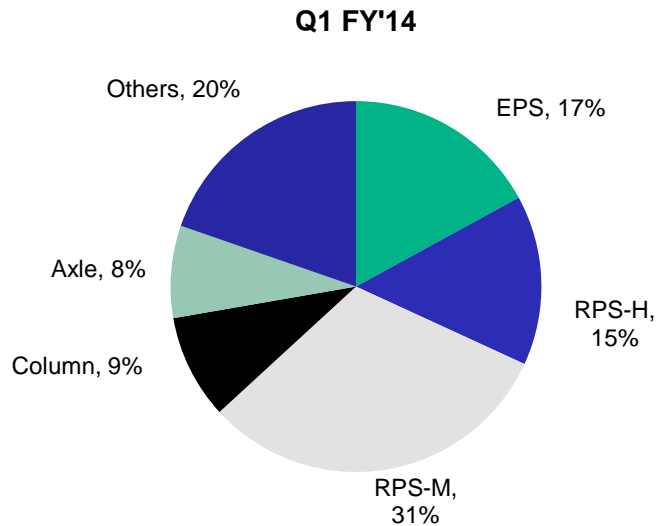
*Note: Break up on standalone basis

Capacity utilization

Capacity Utilization across product categories during Q1 FY'15

- ✓ Steering Products – 62% vs 63% in Q1 FY'14
- ✓ Driveline Products – 31% vs 24% in Q1 FY'14

Key steering & driveline products revenue break-up



Income Statement & Key Ratios - Consolidated

Consolidated Unaudited Income Statement

Amount in ₹mn

Particulars	Q1 FY15	Q4 FY14	QoQ (%)	Q1 FY14	YoY (%)	FY'14	FY'13	YoY (%)
Net Income from Operations	3,548.0	3,886.0	-8.7%	3,190.7	11.2%	14,831.8	14,517.1	2.2%
Other Operating Income	24.6	30.6	-19.6%	20.1	22.7%	91.3	83.1	9.9%
Total Income	3,572.6	3,916.6	-8.8%	3,210.8	11.3%	14,923.1	14,600.2	2.2%
Total Expenditure	3,125.8	3,404.4	-8.2%	2,918.1	7.1%	13,137.9	12,954.8	1.4%
Consumption of Raw Material	2,423.4	2,658.9	-8.9%	2,193.6	10.5%	10,260.7	10,246.0	0.1%
Staff Cost	341.2	349.9	-2.5%	343.5	-0.7%	1,341.9	1,259.0	6.6%
Other Expenditure	361.1	395.6	-8.7%	381.0	-5.2%	1,535.4	1,449.8	5.9%
EBITDA	446.9	512.2	-12.8%	292.7	52.7%	1,785.2	1,645.4	8.5%
Depreciation & Amortisation	280.6	203.8	37.7%	158.4	77.2%	679.5	585.0	16.2%
EBIT	166.2	308.4	-46.1%	134.3	23.8%	1,105.7	1,060.5	4.3%
Finance Charges	76.4	81.4	-6.2%	106.5	-28.3%	392.3	410.9	-4.5%
Other Income	4.5	5.9	-23.7%	9.6	-53.2%	42.7	93.5	-54.3%
PBT before exceptional items	94.3	232.9	-59.5%	37.3	152.8%	756.1	743.1	1.7%
Exceptional items	-	-	-	-	-	(354.3)	-	-
(Gain)/Loss on Foreign Currency Loan Translation								
PBT	94.3	232.9	-59.5%	37.3	152.8%	1,110.4	743.1	49.4%
Tax (including deferred)	29.1	45.2	-35.6%	13.0	124.5%	247.3	263.4	-6.1%
PAT (before Minority Interest)	65.2	187.7	-65.3%	24.3	167.9%	863.0	479.7	79.9%
Share of Profit/ (Loss) of associate	(1.8)	(7.7)	N.A.		NA	(7.7)		N.A.
Minority Interest	27.7	41.7	-33.7%	32.9	-16.0%	177.7	98.8	
PAT	35.8	138.3	-74.1%	-8.6	-515.9%	677.5	380.9	77.9%
EPS (₹)	0.18	0.70	-74.3%	(0.04)	-550.0%	3.41	1.92	0.78

•Other Expenditure includes manufacturing costs, administrative costs, selling costs and other expenses

Key Ratios as a % of Total Revenue	Q1 FY15	Q4 FY14	Q1 FY14	FY'14	FY'13
EBIDTA	12.5%	13.1%	9.1%	12.0%	11.3%
PAT	1.0%	3.5%	-0.3%	4.5%	2.6%
Total Expenditure	87.5%	86.9%	90.9%	88.0%	88.7%
Raw material	67.8%	67.9%	68.3%	68.8%	70.2%
Staff Cost	9.6%	8.9%	10.7%	9.0%	8.6%
Other Expenditure	10.1%	10.1%	11.9%	10.3%	9.9%

Standalone Unaudited Income Statement

Amount in ₹mn

Particulars	Q1 FY15	Q4 FY14	QoQ (%)	Q1 FY14	YoY (%)	FY'14	FY'13	YoY (%)
Net Income from Operations	2,574.4	2,819.9	-8.7%	2,296.0	12.1%	10,348.9	11,118.4	-6.9%
Other Operating Income	23.0	33.1	-30.5%	16.6	38.5%	81.1	67.2	20.6%
Total Income	2,597.4	2,852.9	-9.0%	2,312.6	12.3%	10,430.0	11,185.6	-6.8%
Total Expenditure	2,311.1	2,546.0	-9.2%	2,177.2	6.2%	9,440.2	10,005.3	-5.6%
Consumption of Raw Material	1,757.4	1,950.2	-9.9%	1,593.5	10.3%	7,212.4	7,835.0	-7.9%
Staff Cost	277.9	288.2	-3.6%	289.6	-4.0%	1,104.9	1,067.4	3.5%
Other Expenditure	275.8	307.6	-10.3%	294.1	-6.2%	1,122.8	1,103.0	1.8%
EBITDA	286.3	306.9	-6.7%	135.4	111.5%	989.8	1,180.3	-16.1%
Depreciation & Amortisation	219.3	139.0	57.7%	116.9	87.6%	491.0	431.8	13.7%
EBIT	67.0	167.9	-60.1%	18.5	262.4%	498.8	748.5	-33.4%
Finance Charges	61.2	65.3	-6.3%	87.2	-29.8%	318.9	335.2	-4.9%
Other Income	5.7	4.7	22.4%	13.4	-57.3%	48.8	55.7	-12.3%
PBT before exceptional items	11.5	107.3	-89.3%	(55.3)	-120.8%	228.7	469.0	-51.2%
Exceptional items			N.A.	-		(354.3)	-	N.A.
(Gain)/Loss on Foreign Currency Loan Translation			N.A.			-		N.A.
PBT	11.5	107.3	-89.3%	(55.3)	-120.8%	583.0	469.0	24.3%
Tax (including deferred)	1.2	1.5	-18.0%	(20.4)	-106.1%	66.4	162.8	-59.2%
PAT (before Minority Interest)	10.2	105.8	-90.3%	(34.9)	-129.4%	516.6	306.1	68.8%

• Other Expenditure includes manufacturing costs, administrative costs, selling costs and other expenses

Key Ratios as a % of Total Revenue	Q1 FY15	Q4 FY14	Q1 FY14	FY'14	FY'13
EBIDTA	11.0%	10.8%	5.9%	9.5%	10.6%
PAT	0.4%	3.7%	-1.5%	5.0%	2.7%
Total Expenditure	89.0%	89.2%	94.1%	90.5%	89.4%
Raw material	67.7%	68.4%	68.9%	69.2%	70.0%
Staff Cost	10.7%	10.1%	12.5%	10.6%	9.5%
Other Expenditure	10.6%	10.8%	12.7%	10.8%	9.9%

About us





Proven leadership in India

~50% share in Indian PV Steering market

Strategic locations

Proximity to key auto clusters in India

High on quality

Winner of TPM Excellence Award.

Marquee clientele

MARUTI, Mahindra & Mahindra, Toyota, Tata, Nissan, Honda.

Unmatched R&D capabilities

In-house developed award winning EPAM for off-highway vehicles

Partnering global leader in steering

Technical partnership with world's leading steering manufacturer, JTEKT Corp, Japan

Resilient performance

Turnover of ₹14.9bn, 4-year PAT CAGR of 41%

Steering Product Group
 CEPS (Column type Electric Power Steering),
 Power Steering, Manual Steering, Column, EPAM
 (Electronic Power Assist Module)
Driveline Product Group
 Axle, Differential assembly, Prop shaft



Rack & Pinion Steering (Hydraulic & Manual)



Recirculation Ball Screw Steering Gear



Steering Column (CEPS, Manual)



Steering Shaft



Suspension Arms & Links



Ball Joints



Propeller Shaft & Universal Joint Kit



Clutch Disc Assembly



Front & Rear Axle Shafts



Rear Axle Assembly



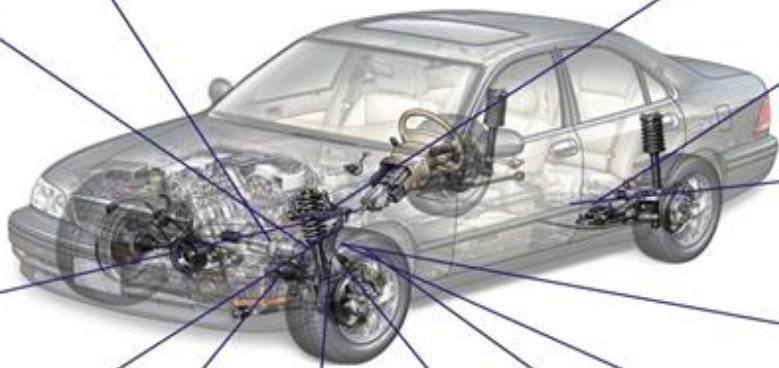
Differential Carrier



Bevel Gears & Synchronizer Rings



Drive Shaft



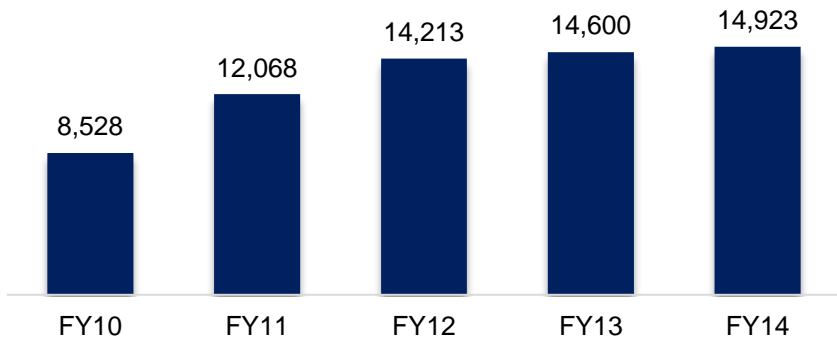
Domestic



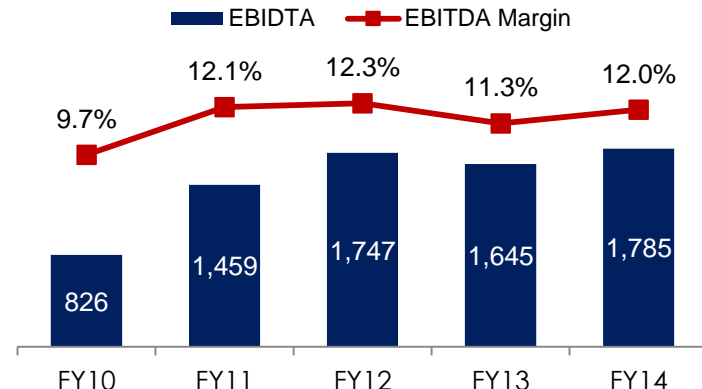
Global



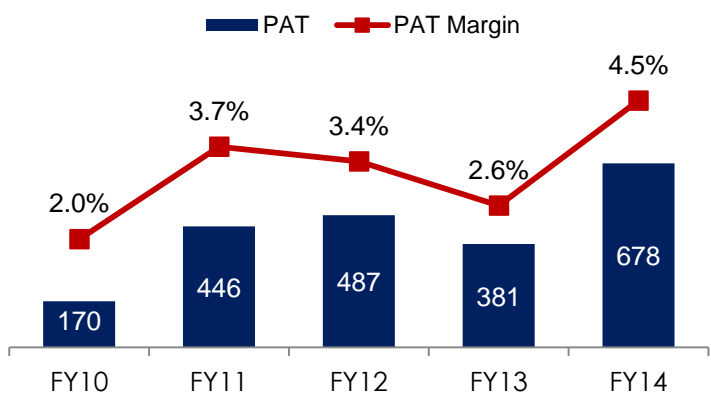
Revenue growing at 15% CAGR



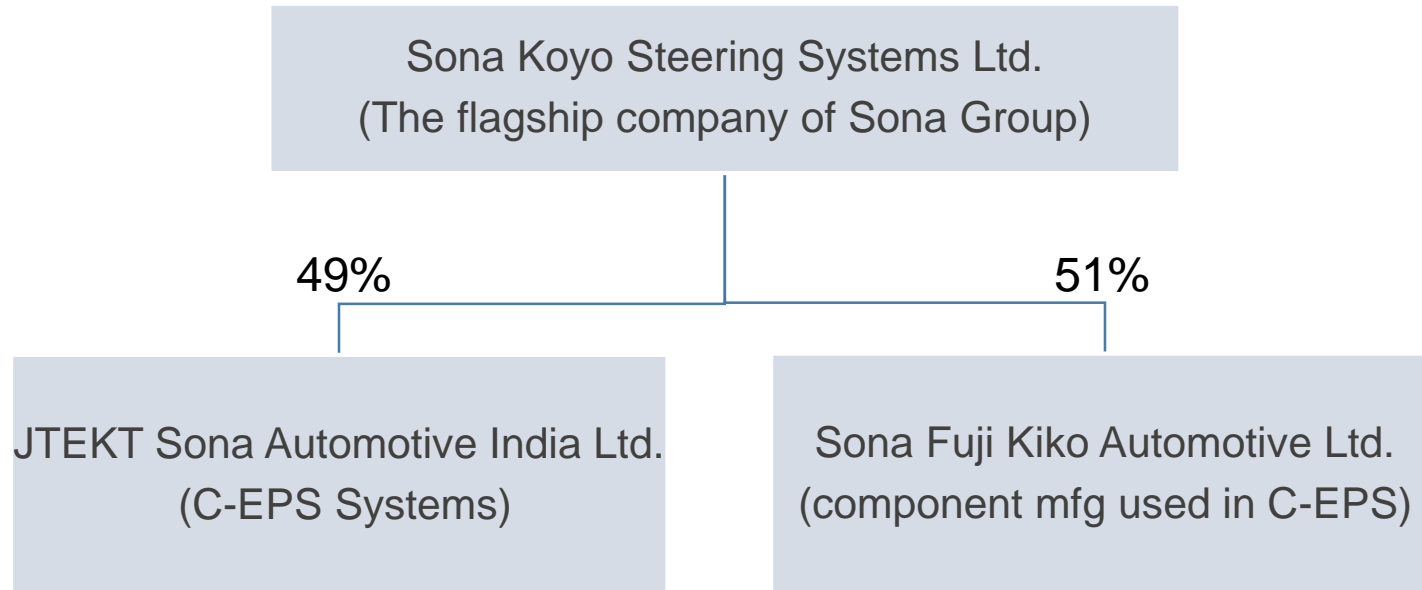
EBITDA expansion led to 21% CAGR



With PAT CAGR at 41%

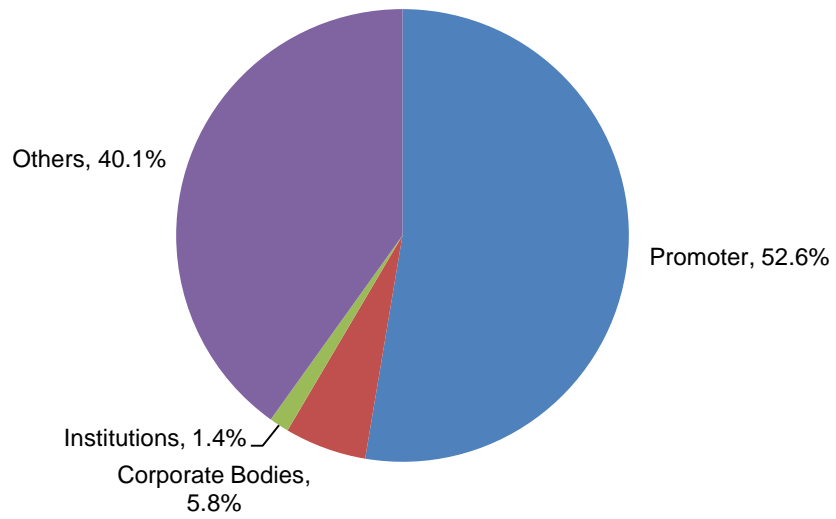


- Opening up of off-highway segment with in-house developed EPAM boosted export revenues hence robust revenue growth
- Raw material cost has come down owing to localisation and backward integration which led to expansion in EBITDA margin

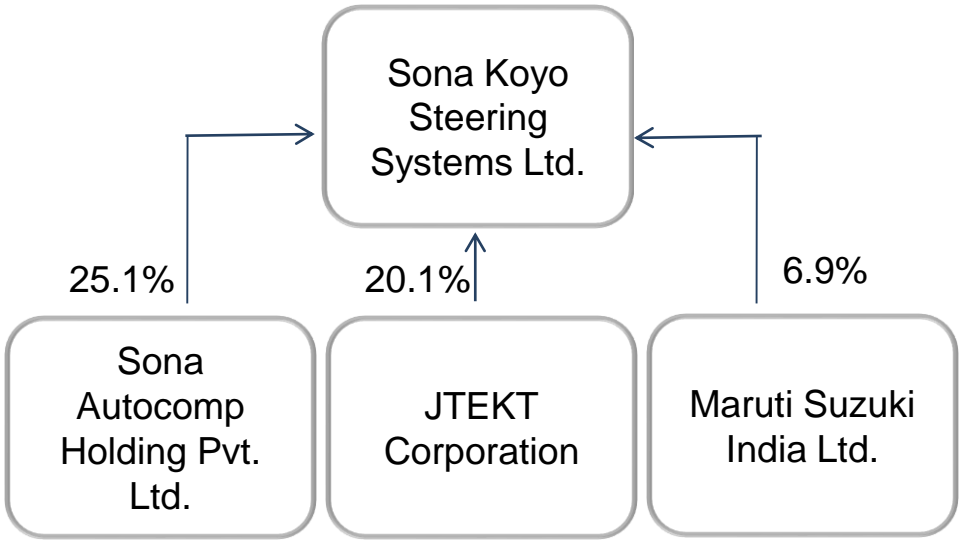


Share Holding Pattern (As on 30th June, 2014)

Equity Shares Outstanding-198,741,832



Promoter and Promoter Group Shares Outstanding – 104,644,172



For any Investor Relations queries please contact:

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About Sona Koyo Steering Systems Ltd.

Sona Koyo Steering Systems Limited (SKSSL) is a technical and financial joint venture company of JTEKT Corporation, Japan, the global technology leader in Steering Systems. With a market share of 45%, SKSSL is the largest manufacturer of steering gears in India and is the leading supplier of Hydraulic Power Steering Systems, Electric Power Steering Systems, Manual Rack & Pinion Steering Systems and Collapsible, Tilt and Rigid Steering Columns for Passenger Vans and MUVs. SKSSL is the first steering systems company in the world to have bagged the prestigious Deming award, the world's most coveted honour for excellence in Total Quality Management. For more information please visit [www..sonagroup.com](http://www.sonagroup.com)

Forward Looking Statement

Certain statements in this document with words or phrases such as “will”, “should”, etc., and similar expressions or variation of these expressions or those concerning our future prospects are forward looking statements. Actual results may differ materially from those suggested by the forward looking statements due to a number of risks or uncertainties associated with the expectations. These risks and uncertainties include, but are not limited to, our ability to successfully implement our strategy and changes in government policies. The company may, from time to time, make additional written and oral forward looking statements, including statements contained in the company’s filings with the stock exchanges and our reports to shareholders. The company does not undertake to update any forward-looking statements that may be made from time to time by or on behalf of the company.