



Investor Presentation

Sona Koyo Steering Systems Ltd.



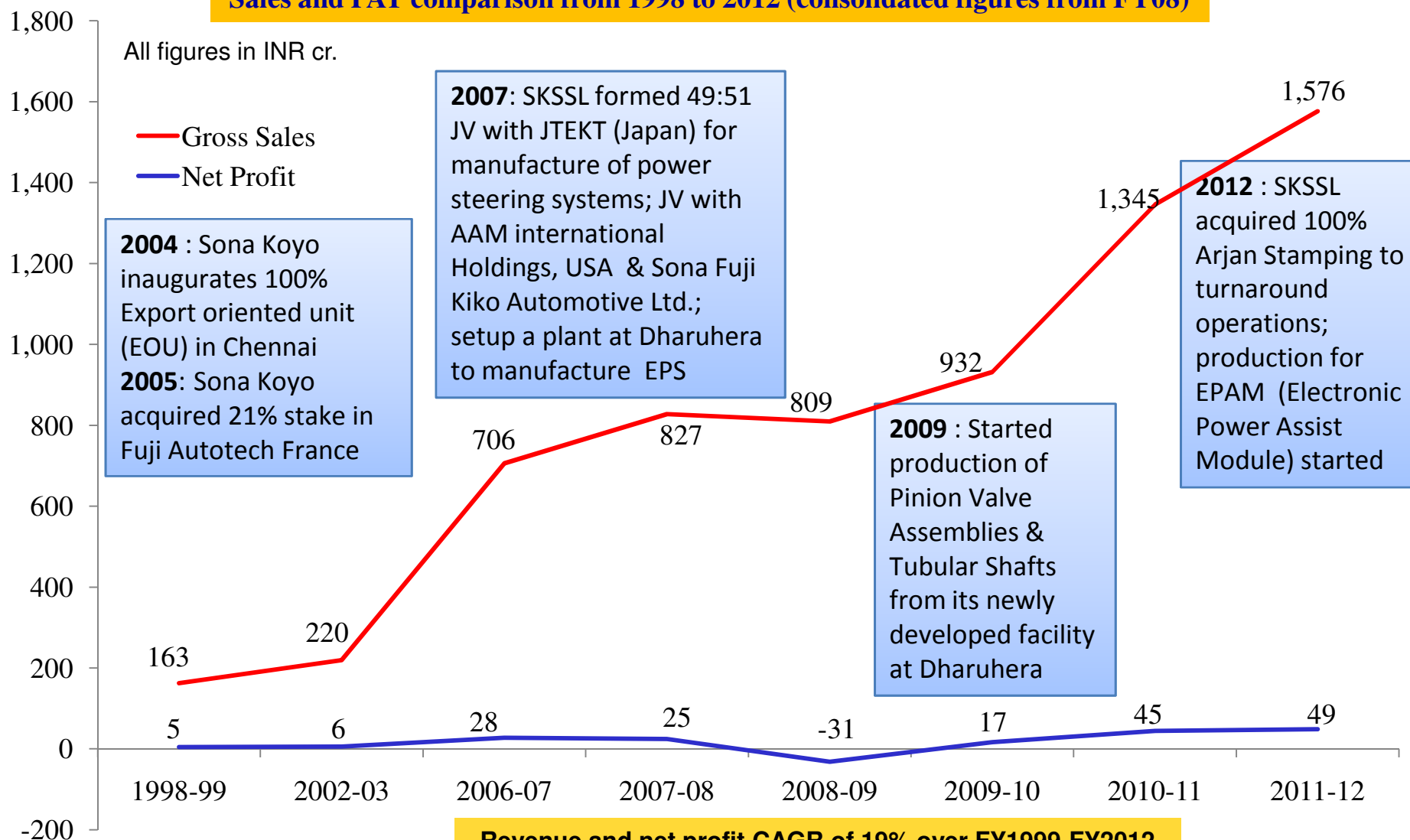
January, 2013

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Business Overview

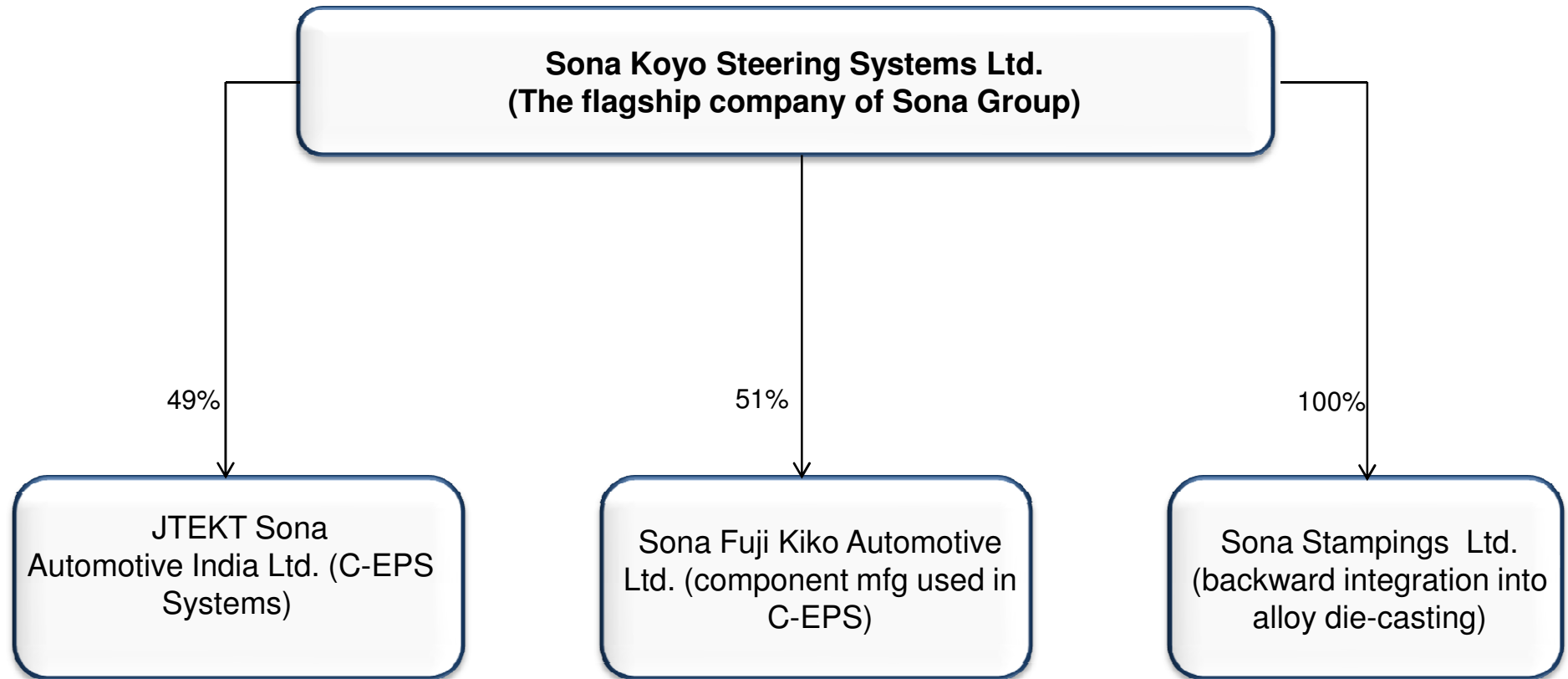
SKSSL increases product lines through expansion, acquisition/JVs

Sales and PAT comparison from 1998 to 2012 (consolidated figures from FY08)

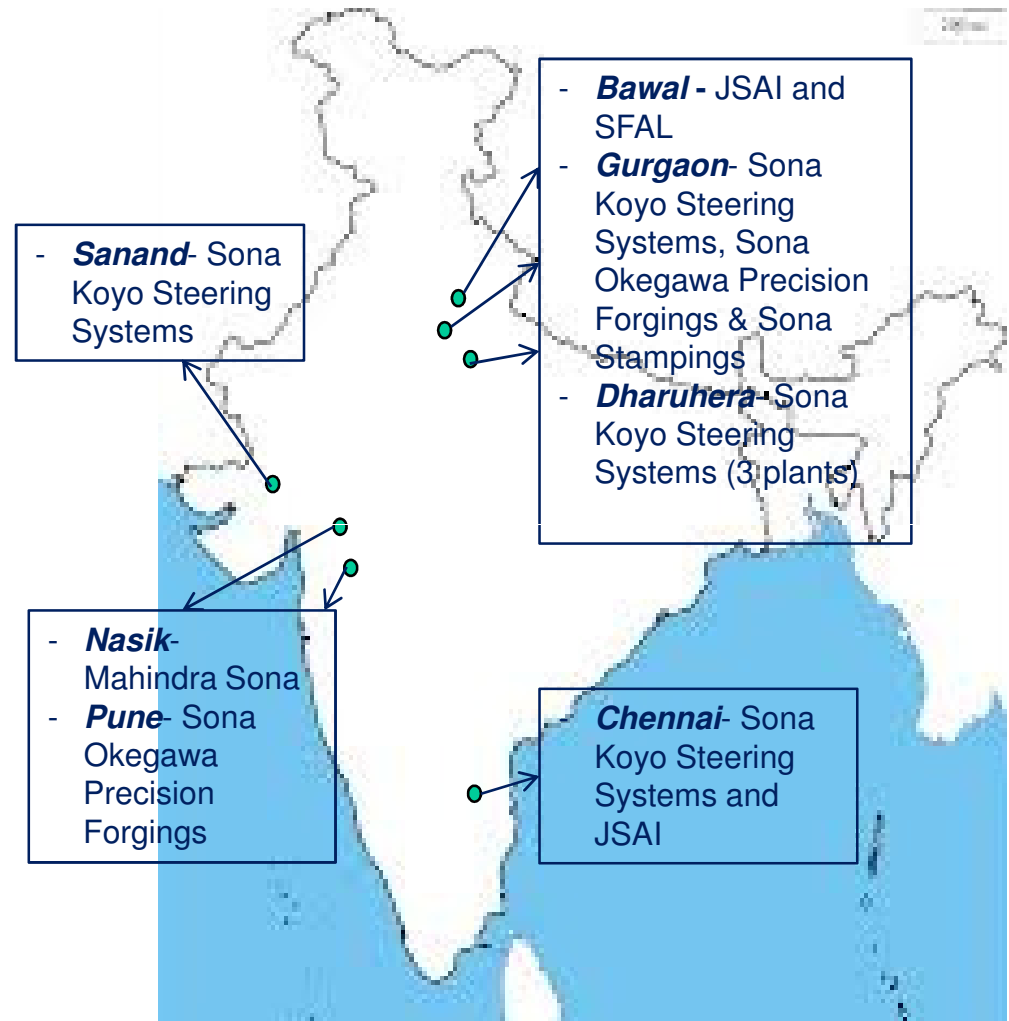


Revenue and net profit CAGR of 19% over FY1999-FY2012

Structure of Sona Koyo Steering Systems Ltd. (SKSSL)



Manufacturing plants and Companies spread across India



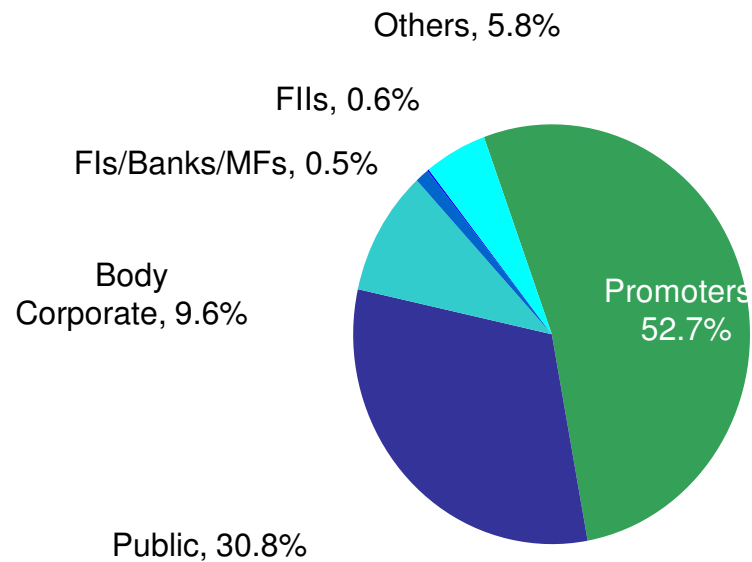
Shareholding for Sona Koyo Steering System



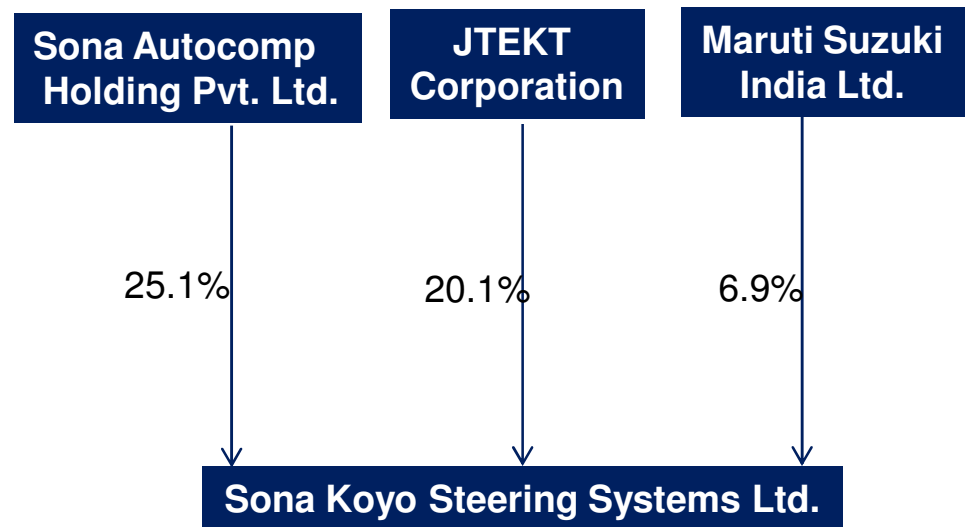
Shareholding Pattern

As on 22nd December 2012

Equity Shares Outstanding-198,741,832



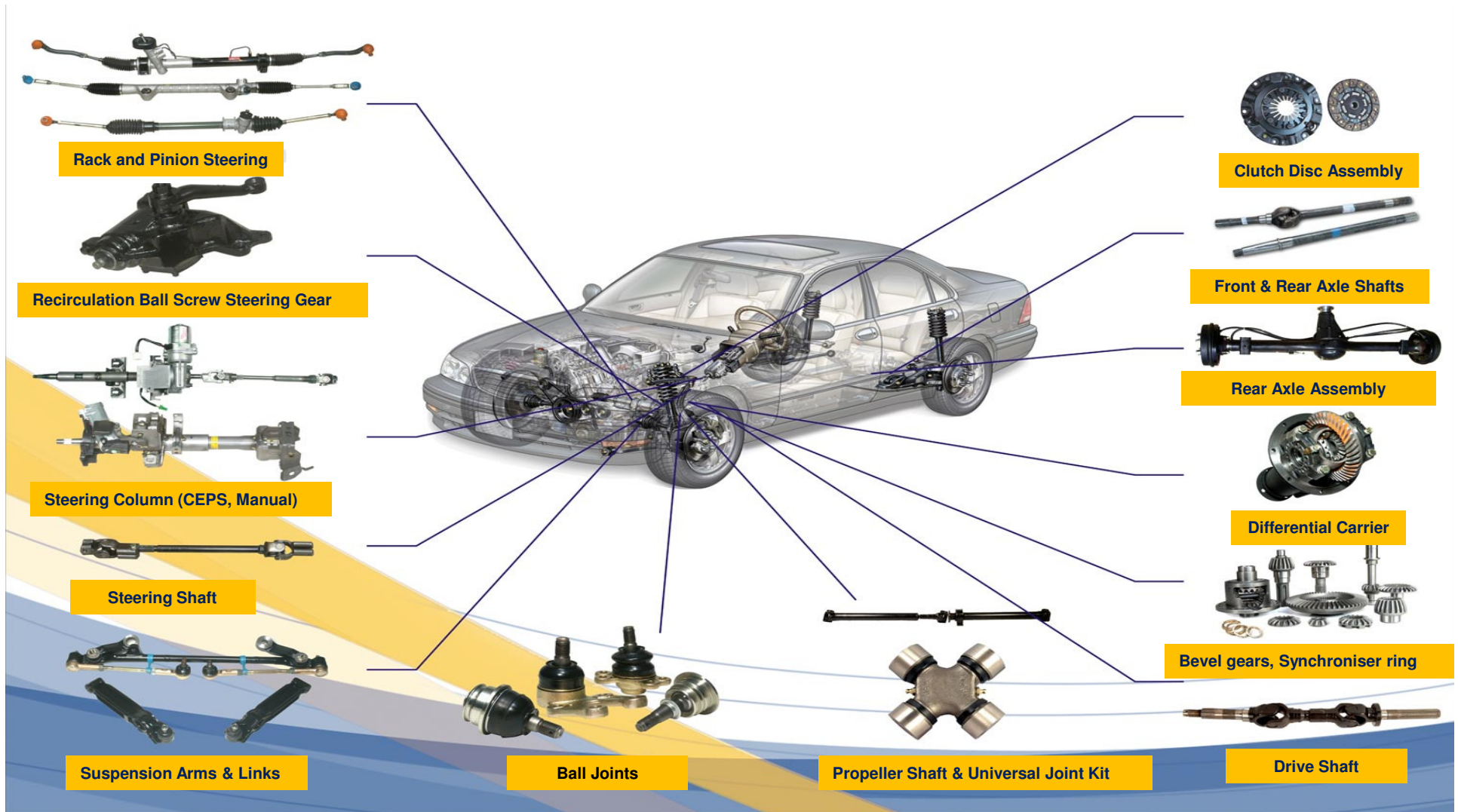
Promoter Structure



Products and Customers

Manufactures wide range of products

Product Portfolio



for various global customers

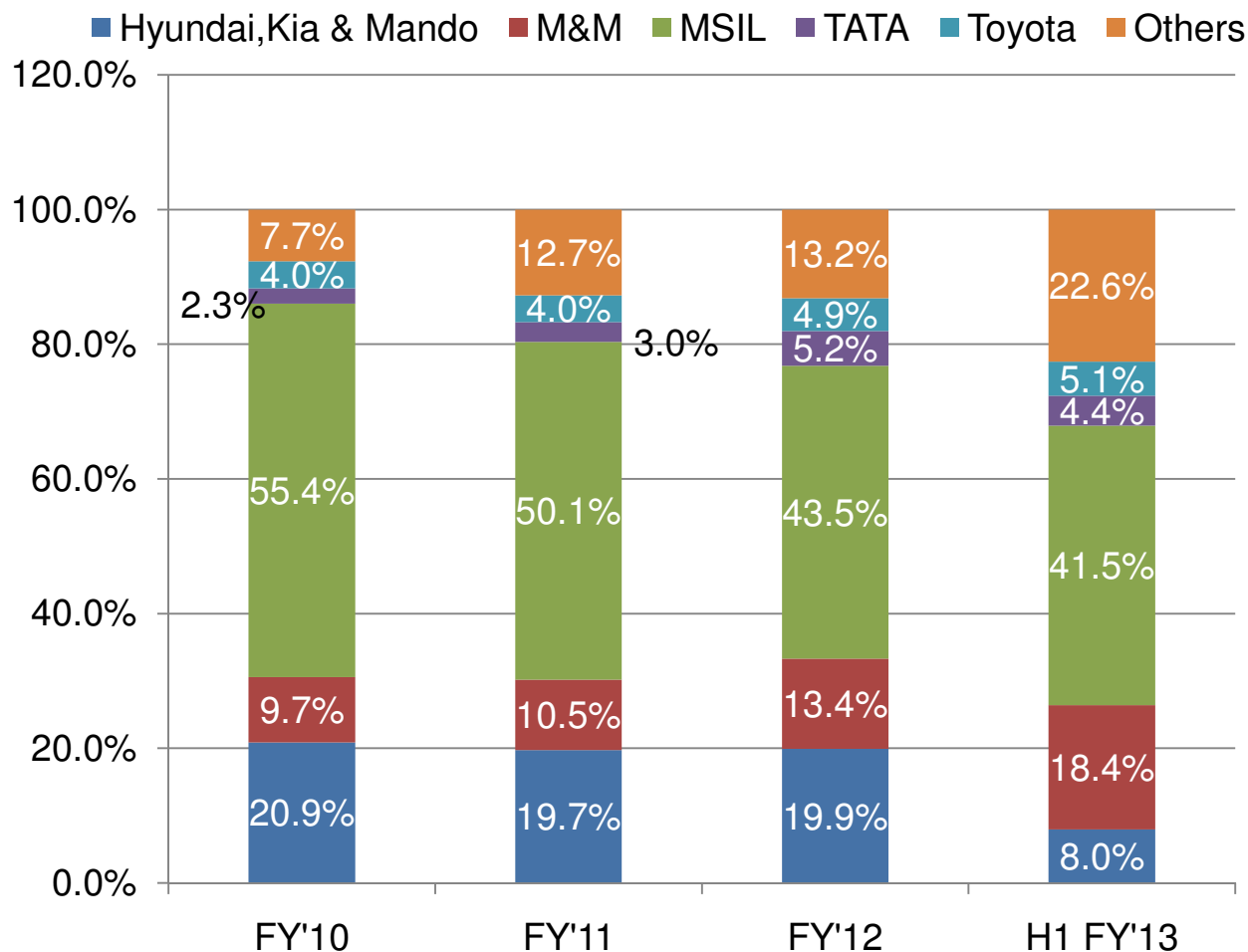


as well as domestic customers



with improving sales contribution from non-MSIL customers

Trend in customer-wise sales mix



- Due to high growth in sales of the M&M's Bolero, Scorpio and XUV 500, M&M's sales contribution has increased for the Steering Systems of Sona Koyo

- The production disruption at the MSIL plant during FY'12 and H1 of FY'13 has caused a decrease in its sales contribution

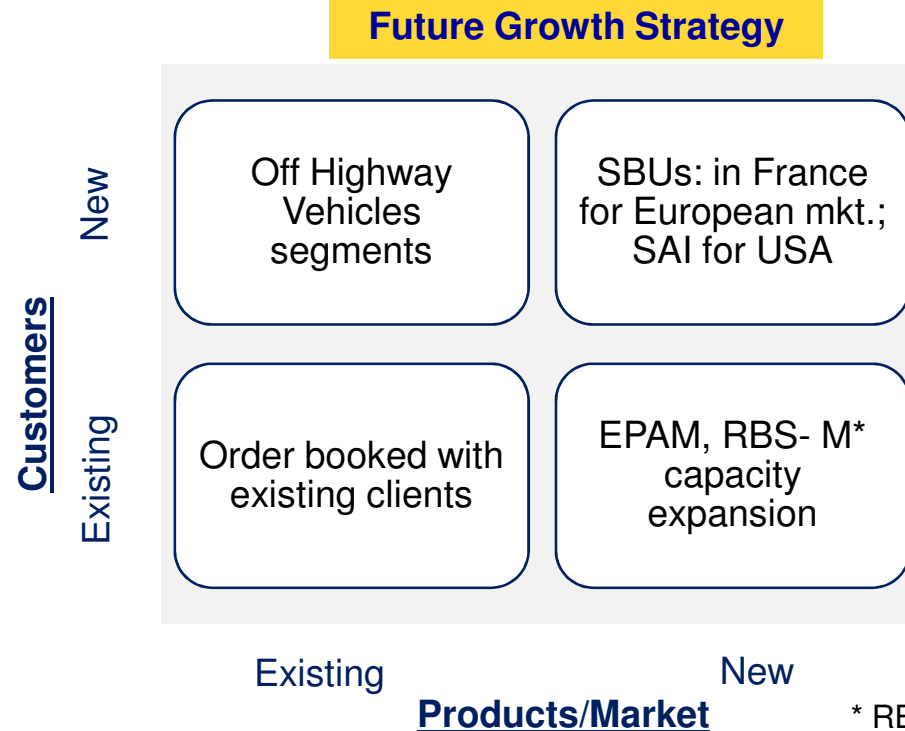
- The production and supplies to models such as Toyota (Etios), Tata (Ace), Nissan (Evalia) and Honda (Brio) has started in FY'13

- Maruti Suzuki is the largest and M&M is the second largest contributor of revenue

- Solo supplier of Steering Systems to Alto, Wagon R, Zen, Estilo and Versa (Eeco) models of MSIL

Growth Strategy and Recent Developments

New Products and Geographies to lift growth rates



* RBS-M is a part of Manual Steering system

8 new areas of focus with EPAM and Pressure Die Casting key drivers of sales growth

After-market sales for Sona Koyo's product with expected sales of Rs 120 mn this year

Set up new EPAM plant for Off Highway Vehicle applications, with exports to John Deere (farm equipments) and Clubcar (golf cars) in USA

with multi-pronged approach to increase competitiveness

Capacity expansion, partnerships with suppliers & integration plans

Backward integration with investment in aluminium die-casting facility (first phase) in Dharuhera:

- Total cost of this project is Rs 50 crore.
- 4 machines installed (by end FY13) with cumulative capacity of 1,850t
- Currently the product will be used in-house, can later start supplies to other customers
- High margin business; has received technology support from JTEKT, Japan to set-up the facility

SKSSL, in partnership with its suppliers, has significantly reduced imported content over the past few years to reduce impact of volatile forex (from 37% in FY09 to 17% to H1 FY13):

- 90% localization achieved for gears and columns
- >72% for C-EPS (plans to increase it to 78%)
- 70% for in-house developed EPAM (Electronic Power Assist Module) technology

Re-aligning its manufacturing facilities, existing manufacturing unit at Gurgaon (Haryana) to five other locations—three in Dharuhera, one in Sanand and one in Chennai – to improve efficiency. The company has incurred capex of Rs 114 crore in FY12, including Rs 30 crore for relocation. Furthermore, SKSSL plans to incur capex of Rs 30 crore each in FY13 & FY14 towards the above relocation project

and a strong history of projects coupled with product innovation

Key projects in last 3 years

MSIL new Alto (800), Swift, Dzire & Ertiga – 100% steering gears

M&M Scorpio, XUV500 & Quanto – HPS

Toyota Etios & Nissan Evalia , Micra – 100% C-EPS

Honda Brio – C-EPS

Ford Figo – 100% column

Tata Nano – 100% manual steering system & Tata Ace - ~50% of steering systems

Recent Developments

Technical competence with two US patents for Torque sensor and EPAM system with 3rd product in the patent pipeline

Advantages of EPAM (Electronic Power Assist Module)

Modular Design

- Design modifiable for any vehicle that helps serve many clients at cheaper cost

Reduced Assembly Time

- Helps produce more quantity using less labor resource

More control over driving dynamics

- Improves the competitiveness of Sona Koyo over the Hydraulic Power steering manufacturers

High Margin product

- It will improve the profitability of Sona Koyo as sales increase

Financial Performance

Higher PAT growth than EBITDA due to lower leverage

Solvency	FY'10	FY'11	FY'12
Debt Equity	1.8	1.7	1.5
Leverage Ratio	3.2	2.6	2.5
Net Debt / EBITDA	3.5	2.3	2.0
Interest Coverage	1.7	2.6	2.9

Growth Rates

Revenue growth	40.7%	17.7%	Higher net profit growth than EBITDA growth due to lower interest paid as a %age of sales
EBITDA growth	65.5%	19.1%	
Net profit growth	189.9%	16.9%	

- Debt/equity has come down steadily, with a similar trend in financial expenses as a % age of sales. Due to this there is improvement in the Interest coverage ratio.
- The company intends to sell the Gurgaon land (14 acre in prime location) which will reduce leverage

and increased EBITDA margin due to reduced raw material costs

(% of revenue from operations)	FY'10	FY'11	FY'12
Raw Materials Consumed	74.2%	70.9%	69.1%
Employee Cost	6.9%	7.3%	8.0%
Manufacturing Expenses	4.5%	4.7%	4.6%
Admin., Selling & other costs	3.8%	4.8%	4.6%
EBITDA	10.5%	12.3%	12.5%

- EBITDA margin improves to 12.5% in FY12. The Company expects the further improvement in EBITDA margins with the commencement of the Phase 1 of aluminium die casting plant, which will help meet the requirement of Sona Koyo thereby lowering the external purchases for the company
- Further with the initiation of localization move at Dharuhera plant, there would be lowering of the import content from present 28% to 22%
- Raw material costs (as a %age of revenue from operations) has decreased consistently causing a y-o-y increase in the EBITDA margins
- Employee costs increased due to the revision of the salaries for the existing employees and increased hiring

with improved profitability and returns

Profitability (%)	FY'10	FY'11	FY'12
EBITDA margin	10.5%	12.3%	12.5%
Pretax margin	3.0%	6.1%	6.0%
Net margin	2.0%	3.7%	3.4%
Return on Equity	9.6%	21.7%	20.4%
Return on Capital employed	11.5%	18.8%	20.2%
EPS (in ₹)	0.9	2.3	2.5

- Increased net margin due to lower taxes & finance costs as a %age of operating revenue
- With rising volume growth from new customers & EPAM production, net sales and margins will increase
- RoCE is now at healthy levels, enhancing internal ability to support capex plans of ~ Rs 280 crore in next 3 years for:
 - Localization programmes
 - Next phase of expansion of aluminium die-casting facilities
 - Regular capacity expansion across manufacturing facilities
 - Relocation from its existing manufacturing unit at Gurgaon (Haryana) to five other locations

Financial Annexure

Income Statement - Consolidated



Consolidated Audited Income Statement

Amount in mn

Particulars	FY'10	FY'11	FY'12
Gross Sales	9,315.6	13,453.3	15,760.5
Less : Excise Duty	787.6	1,385.4	1,548.0
Net Sales	8,528.0	12,067.8	14,212.5
Other Operating Income	75.4	33.5	30.9
Revenue from Operations	8,603.4	12,101.4	14,243.4
Raw Materials Consumed	6,384.1	8,575.3	9,840.8
Manufacturing Expenses	386.9	567.7	656.2
Administrative, Selling & Other Expenses	324.6	575.6	654.0
Payments to and provision for employees	590.5	887.5	1,132.8
R&D expenses	15.5	23.5	26.3
Changes in finished goods inventories, work-in-progress & Stock-In-Trade	-	(21.0)	155.6
Total Expenses	7,701.6	10,608.7	12,465.8
EBITDA	901.8	1,492.7	1,777.6
Depreciation and Amortization	284.5	377.4	457.5
EBIT	617.3	1,115.3	1,320.1
Financial Expenses	363.3	436.7	459.3
Profit before tax and Exceptional Items	254.0	678.6	860.8
Exceptional Items	-	(57.9)	-
PBT	254.0	736.5	860.8
Tax	96.3	245.6	258.6
Profit after tax before minority interest	157.7	491.0	602.2
Minorities Interest and others	(11.8)	44.6	115.1
PAT	169.5	446.3	487.1
EPS (in)	0.9	2.3	2.5

Balance Sheet- Consolidated

Consolidated Audited Balance Sheet

Amount in mn

Particulars	FY'10	FY'11	FY'12
Shareholder's Equity			
Share Capital	198.7	198.7	198.7
Reserves and Surplus	1,561.9	1,857.7	2,193.5
Minority Interest	337.5	382.1	508.6
Total equity capital	2,098.2	2,438.5	2,900.8
Liabilities			
Total Debt	3,249.5	3,483.7	3,619.8
Deferred Tax Liability	206.4	353.5	397.2
Total Liabilities and Owner's Equity	5,554.1	6,275.7	6,917.8
Assets			
Goodwill on consolidation	11.2	11.2	15.3
Net Fixed Assets	4,476.3	4,684.0	5,448.7
Capital Work in Progress	198.7	239.7	461.0
Investments	325.2	295.2	295.2
Other Assets		218.2	230.7
Inventory	508.4	751.9	607.0
Debtors	932.3	1,617.8	1,751.9
Cash and Bank Balance	58.8	118.6	117.4
Other Current Assets	5.4	161.4	243.9
Loans and Advances	618.0	550.5	361.3
Total Current Assets	2,122.9	3,412.8	3,081.6
Current Liabilities	1,471.9	2,176.0	2,429.5
Provision	108.4	196.7	185.2
Total Current Liabilities	1,580.2	2,372.7	2,614.6
Net Current Assets	542.6	827.5	466.9
Total Assets	5,554.1	6,275.7	6,917.8

Income Statement & Key Ratios – Consolidated for H1 FY'13

Consolidated Audited Income Statement

Amount in mn

Particulars	Q2 FY13	Q2 FY12	YoY (%)	H1 FY13	H1 FY12	YoY (%)
Net Income from Operations	3,283.3	3,346.4	-1.9%	6,952.1	6,720.9	3.4%
Other Operating Income	15.0	15.4	-2.7%	34.4	28.2	21.9%
Total Income	3,298.2	3,361.8	-1.9%	6,986.5	6,749.2	3.5%
Total Expenditure	2,961.6	3,098.8	-4.4%	6,273.4	5,994.4	4.7%
Consumption of Raw Material	2,331.5	2,374.2	-1.8%	4,970.4	4,693.5	5.9%
Staff Cost	294.3	277.6	6.0%	597.3	559.6	6.7%
Other Expenditure	335.8	447.0	-24.9%	705.7	741.2	-4.8%
EBITDA	336.7	262.9	28.0%	713.1	754.8	-5.5%
Depreciation & Amortisation	143.0	107.6	32.9%	275.2	216.1	27.4%
EBIT	193.7	155.4	24.7%	437.9	538.7	-18.7%
Finance Charges	88.9	129.3	-31.3%	196.8	237.4	-17.1%
Other Income	58.2	7.5	672.1%	64.7	16.4	295.2%
Exceptional items	-	-	N.A.	-	-	N.A.
(Gain)/Loss on Foreign Currency Loan Tran	-	-	N.A.	-	-	N.A.
PBT	163.1	33.6	384.8%	305.8	317.7	-3.8%
Tax (including deferred)	54.6	15.6	250.3%	103.1	76.1	35.5%
PAT (before Minority Interest)	108.5	18.1	500.9%	202.6	241.6	-16.1%
Share of Profit/ (Loss) to Minority	39.1	(20.6)	289.7%	50.3	46.1	9.1%
PAT	69.4	38.7	79.6%	152.3	195.5	-22.1%

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

Key Ratios as a % of Total Revenue	Q2 FY13	Q2 FY12	H1 FY13	H1 FY12
EBIDTA	10.2%	7.8%	10.2%	11.2%
PAT	2.1%	1.1%	2.2%	2.9%
Total Expenditure	89.8%	92.2%	89.8%	88.8%
Raw material	70.7%	70.6%	71.1%	69.5%
Staff Cost	8.9%	8.3%	8.5%	8.3%
Other Expenditure	10.2%	13.3%	10.1%	11.0%

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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. 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

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.