



Investor Update – Q3 & 9M FY'15

Sona Koyo Steering Systems Ltd.



February 11, 2015

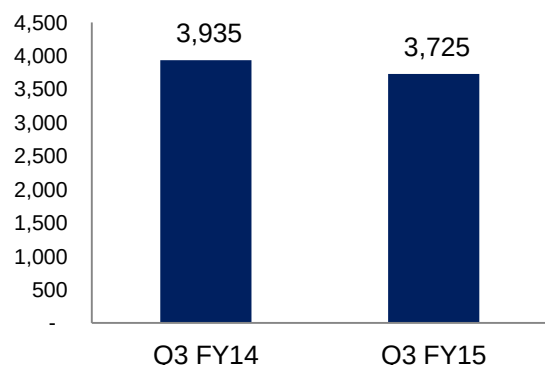


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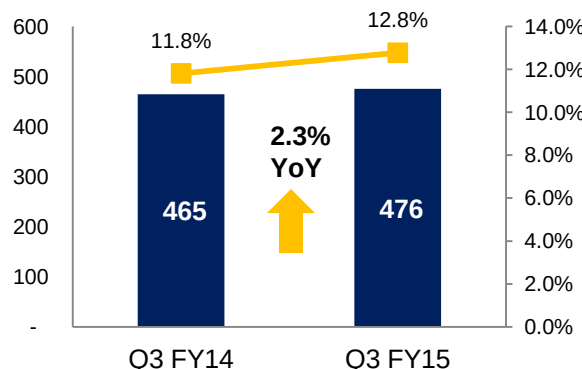
Q3 FY'15 Consolidated (YoY) EBITDA expands with lower RM costs

All figures in Rs Mn

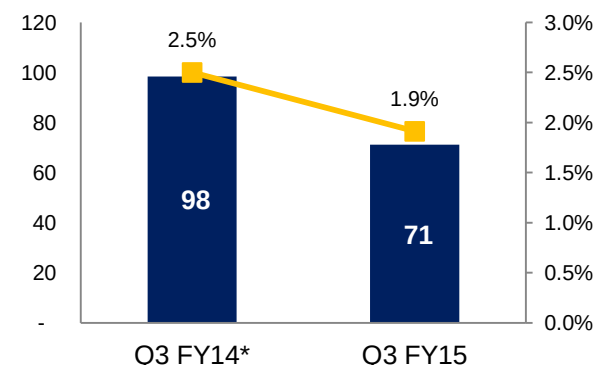
Revenue



EBITDA & EBITDA Margin



PAT* & PAT Margin



■ Total revenue in Q3FY15 at Rs 3,725mn compared to Rs 3,935mn in Q3FY14

- ✓ Key customers like Tata Motors (new launch Bolt), Maruti, Toyota, FIAT displayed good growth in the quarter
- ✓ Sales witness marginal decline due to end of lower excise regime.

■ EBITDA up 2.3%YoY to reach Rs 476mn with margin up from 11.8% in Q3FY14 to 12.8% in Q3FY15

- ✓ Raw material cost as a %age of revenues declined to 67.0% in Q3FY15 compared to 70.3% in Q3FY14 due to localization of CEPS (Column-electric power steering) and synergies accrued from backward integration

■ PAT after minority interest and share of loss of associate at Rs 71mn with margin of 1.9%

- ✓ Increase in depreciation and amortisation expense of Rs 66mn in Q3FY15 on account of adoption of revised estimation of useful life of fixed assets
- ✓ Cash Profit (PAT+depreciation) in Q3FY15 of Rs 325mn, an increase of 25.9% YoY over the adjusted cash profit of Rs 258mn in Q3FY14

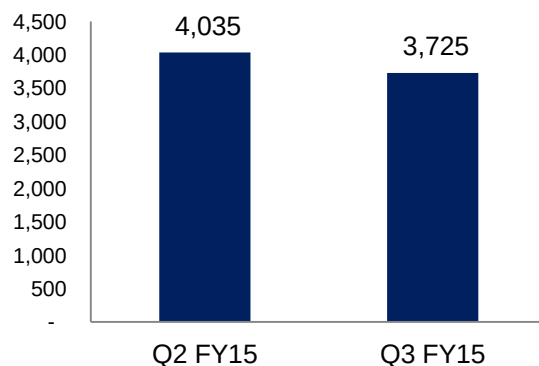
* Q3FY14 PAT has been adjusted for exceptional gain of Rs 354mn and the corresponding tax of Rs 31mn rising due to profit from sale of long-term investment held in Fuji Autotech Europe S.A.S.

Refer Slide 11 for detailed P&L Statement

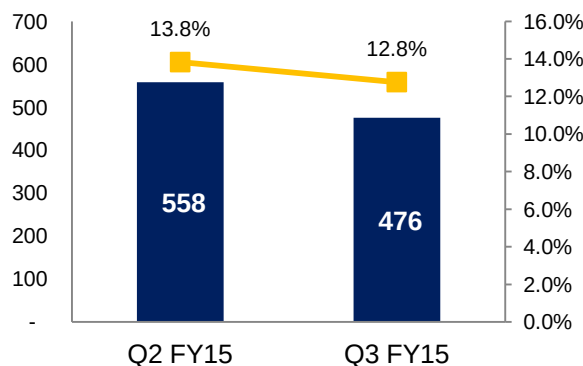
Q3 FY'15 Consolidated: Excise rollback impacts QoQ performance

All figures in Rs Mn

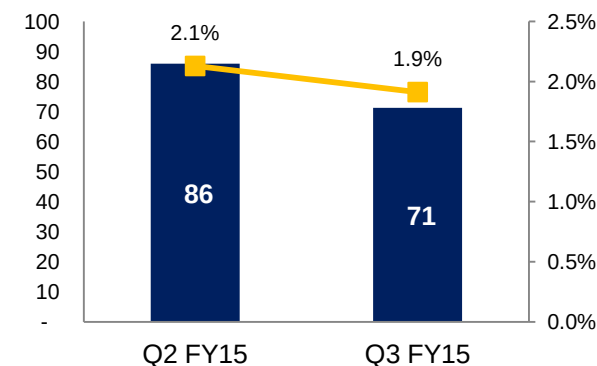
Revenue



EBITDA & EBITDA Margin



PAT & PAT Margin



■ Total revenue in Q3FY15 at Rs 3,725mn compared to Rs 4,035mn in Q2FY15

- ✓ Decline in sales due to exceptionally higher sales in previous quarter (Q2FY15) being the last period of lower excise regime

■ EBITDA at Rs 476mn in Q3FY15 as compared to Rs 558mn in Q2FY15. EBITDA margin contracts to 12.8%

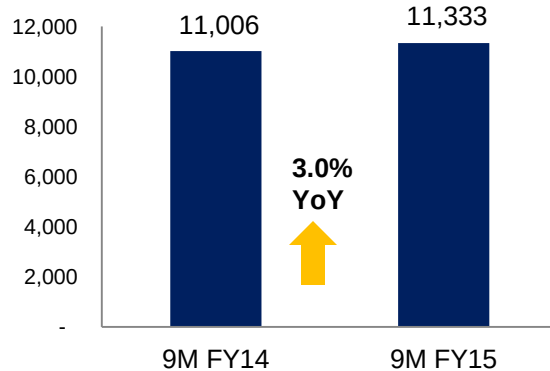
- ✓ Impacted by increase in staff costs from 9.0% in Q2FY15 to 9.7% in Q3FY15 and increase in other expenses from 10.0% in Q2FY15 to 10.5% in Q3FY15

■ PAT after minority interest and share of loss of associate at Rs 71mn compared to Rs 86mn in last quarter mainly due to decline in EBITDA

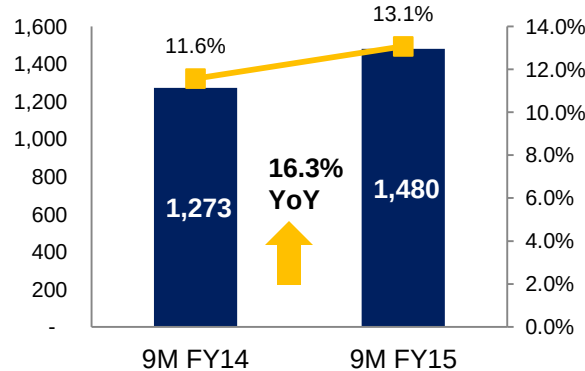
Consolidated 9M FY'15 : Steady revenues with strong expansion in EBITDA

All figures in Rs Mn

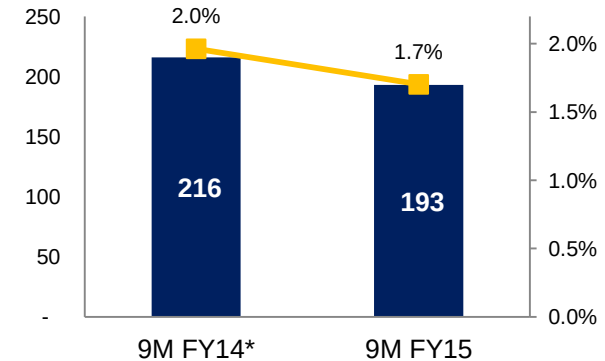
Revenue



EBITDA & EBITDA Margin



PAT* & PAT Margin



■ Total revenue increases by 3.0% YoY to reach Rs 11,333mn in 9MFY15 driven by new launches such as Bolt and robust performance for other key customers

■ EBITDA up 16.3%YoY to reach Rs 1,480mn. EBITDA margin expands to 13.1% from 11.6% in 9MFY14

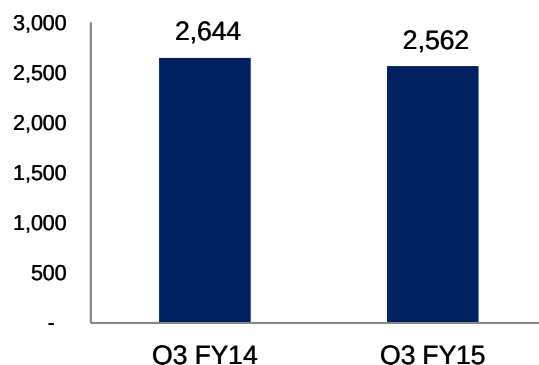
- ✓ Raw material costs decline from 69.1% in 9MFY14 to 67.3% in 9MFY15 because of localization of CEPS (Column-electric power steering)
- ✓ Other costs decline from 10.4% in 9MFY14 to 10.2% in 9MFY15

■ PAT after minority interest and share of loss of associates at Rs 193mn in 9MFY15 with margin of 1.7%

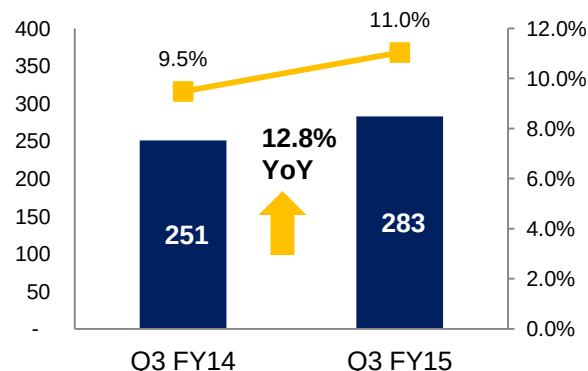
- ✓ Expansion in EBITDA margin partly off-set by increase in depreciation and amortization costs of Rs. 257mn on account of adoption of revised estimation of useful life of fixed assets
- ✓ Cash profit in 9MFY15 of Rs 992mn, up 43.5%YoY from Adjusted Cash Profit of Rs 692mn in 9MFY14

* Q3FY14 PAT has been adjusted for exceptional gain of Rs 354mn and the corresponding tax of Rs 31mn rising due to profit from sale of long-term investment held in Fuji Autotech Europe S.A.S.

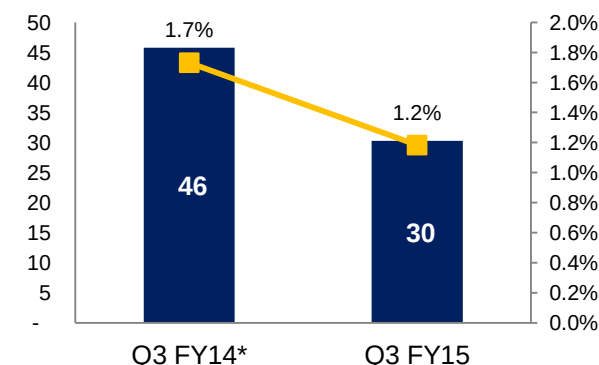
Revenue



EBITDA & EBITDA Margin



PAT * & PAT Margin



■ Total revenue in Q3FY15 at Rs 2,562mn compared to Rs 2,644mn

- ✓ Slight decline in sales due to exceptionally higher sales in previous quarter (Q2FY15) being the last period of lower excise regime

■ EBITDA in Q3FY15 up 12.8% YoY at Rs 283 mn with margin expanding from 9.5% in Q3FY14 to 11.0% in Q3FY15

- ✓ Mainly due to decline in raw material costs as % of revenues from 70.7% in Q3FY14 to 65.7% in Q3FY15

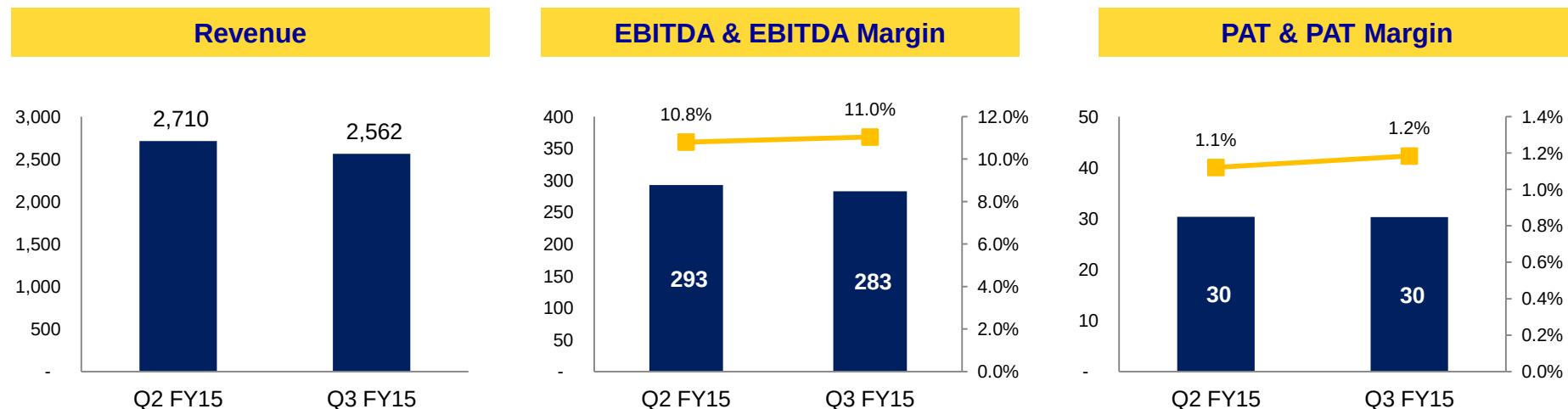
■ PAT in Q3 FY15 at Rs 30mn with PAT margin of 1.2%

- ✓ Expansion in EBITDA partly offset by increase in depreciation and amortisation of Rs 38mn on account of adoption of revised estimation of useful life of fixed assets
- ✓ Cash profit of Rs 217mn in Q3FY15, up 31.9% YoY compared to adjusted cash profit of Rs 164mn in Q3FY14

* Q3FY14 PAT has been adjusted for exceptional gain of Rs 354mn and the corresponding tax of Rs 31mn rising due to profit from sale of long-term investment held in Fuji Autotech Europe S.A.S.

Q3 FY'15 Standalone: QoQ margins improve marginally

All figures in Rs Mn



■ Total revenue in Q3FY15 at Rs 2,562mn compared to Rs 2,710mn in Q2FY15

- ✓ Decline in sales due to exceptionally higher sales in previous quarter (Q2FY15) being the last period of lower excise regime

■ EBITDA margin marginally expands to 11.0% in Q3FY15

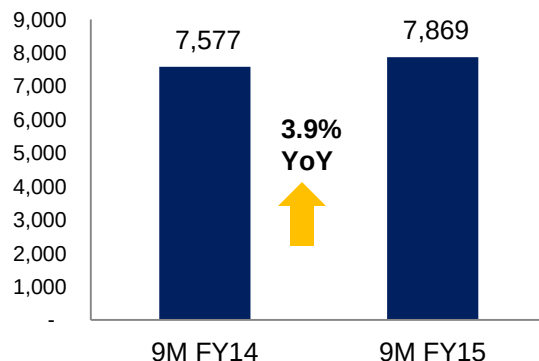
- ✓ Decline in RM costs as %age of revenues from 67.2% in Q2FY15 to 65.7% in Q3FY15
- ✓ Increase in other expenses and staff cost partly offset the decline in RM costs

■ PAT in Q3FY15 at Rs 30mn. PAT margin marginally expands to 1.2%

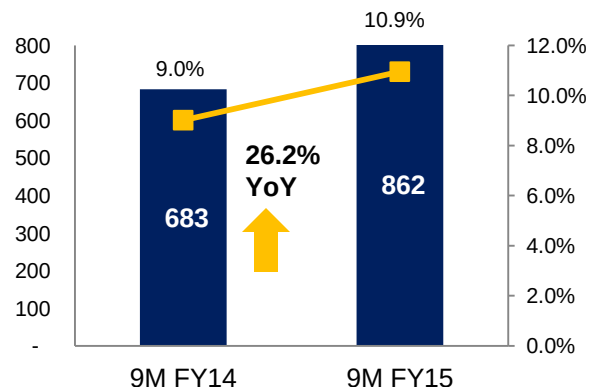
Standalone 9M FY15: Revival in EBITDA margin driven by reduced RM costs

All figures in Rs Mn

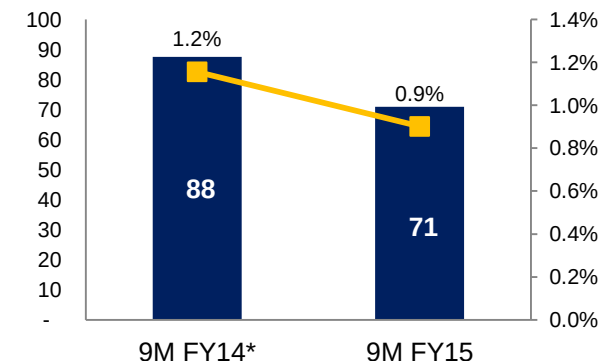
Revenue



EBITDA & EBITDA Margin



PAT* & PAT Margin



■ Total revenue for 9MFY15 up by 3.9% YoY to reach Rs 7,869mn

■ EBITDA for the period up by 26.2%YoY to reach Rs 862mn. EBITDA margin expands to 10.9% compared to 9.0% in 9MFY14

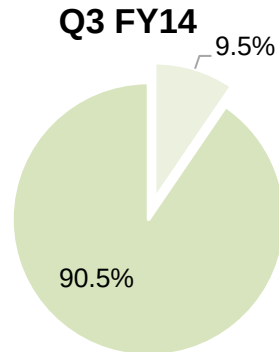
- ✓ Raw material costs decline to 66.9% of revenues compared to 69.4% in 9M FY14 because of localization of CEPS (Column-electric power steering)

■ PAT for the period at Rs 71mn with margin of 0.9%

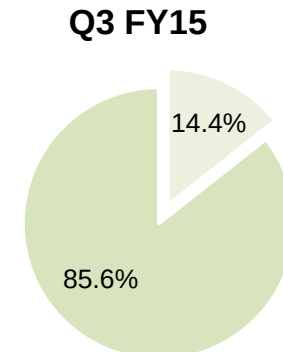
- ✓ Depreciation and amortization expense up by Rs 188mn due on account of adoption of revised estimation of useful life of fixed assets
- ✓ Cash profit for 9mFY15 at Rs 679mn, up 54.4%YoY compared to adjusted cash profit of Rs 440mn in 9mFY14

* Q3FY14 PAT has been adjusted for exceptional gain of Rs 354mn and the corresponding tax of Rs 31mn rising due to profit from sale of long-term investment held in Fuji Autotech Europe S.A.S.

Product Wise Sales Mix*



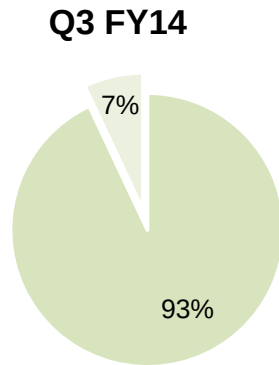
■ Driveline ■ Steering & Column



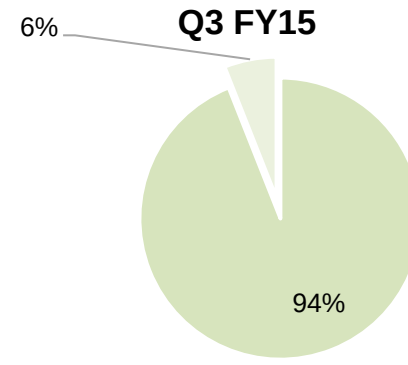
■ Driveline ■ Steering & Column

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

Geographic Sales Mix



■ Domestic ■ Exports



■ Domestic ■ Exports

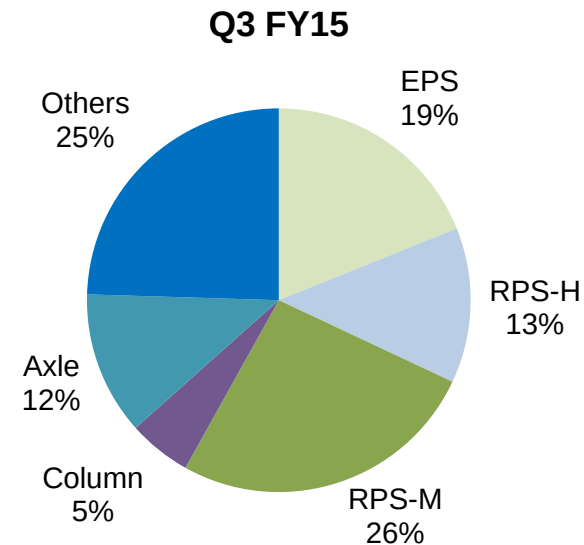
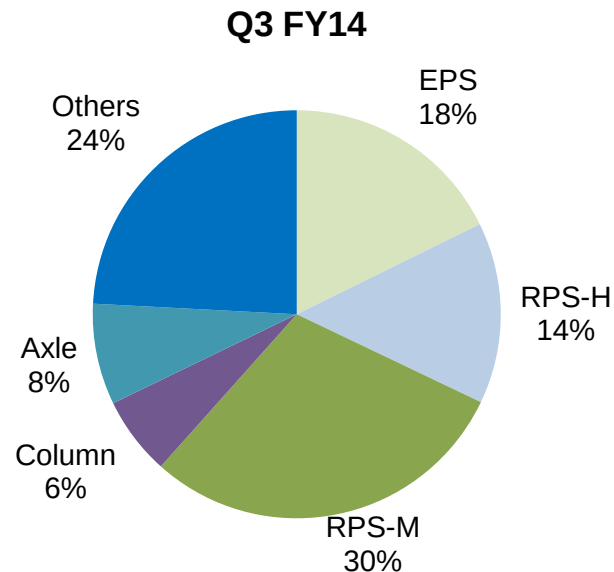
***Note: Break up on standalone basis**

Capacity utilization

■ Capacity Utilization across product categories during YTD FY15

- ✓ Steering Products – **59% YTD Dec' 2014**
- ✓ Column Products – **67% YTD Dec' 2014**
- ✓ Driveline Products – **31% YTD Dec' 2014**

Key steering & driveline products revenue break-up



Note: On standalone basis

Income Statement & Key Ratios - Consolidated

Consolidated Unaudited Income Statement

Amount in ₹mn

Particulars	Q3 FY15	Q2 FY15	QoQ(%)	Q3 FY14	YoY(%)	9M FY15	9M FY14	YoY(%)
Net Income from Operations	3,697.4	3,999.7	(7.6%)	3,915.8	(5.6%)	11,245.1	10,945.8	2.7%
Other Operating Income	27.5	35.4	(22.3%)	19.6	40.7%	87.6	60.7	44.3%
Total Income	3,724.9	4,035.1	(7.7%)	3,935.4	(5.3%)	11,332.6	11,006.5	3.0%
Total Expenditure	3,249.4	3,477.0	(6.5%)	3,470.7	(6.4%)	9,852.2	9,733.5	1.2%
Consumption of Raw Material	2,496.9	2,708.5	(7.8%)	2,765.3	(9.7%)	7,628.8	7,601.8	0.4%
Staff Cost	360.0	364.8	(1.3%)	325.5	10.6%	1,066.0	992.0	7.5%
Other Expenditure*	392.5	403.8	(2.8%)	379.9	3.3%	1,157.4	1,139.7	1.6%
EBITDA	475.5	558.1	(14.8%)	464.7	2.3%	1,480.5	1,273.0	16.3%
Depreciation & Amortisation	253.5	265.3	(4.5%)	159.5	59.0%	799.5	475.7	68.1%
EBIT	222.1	292.7	(24.1%)	305.2	(27.2%)	681.0	797.3	(14.6%)
Finance Charges	75.7	81.4	(7.0%)	94.1	(19.6%)	233.5	310.9	(24.9%)
Other Income	11.0	14.3	(23.1%)	13.0	(15.0%)	29.8	36.8	(19.0%)
PBT before exceptional items	157.4	225.7	(30.3%)	224.1	(29.8%)	477.4	523.2	(8.7%)
Exceptional items**	-	-	NM	(354.3)	NM	-	(354.3)	NM
PBT	157.4	225.7	(30.3%)	578.4	(72.8%)	477.4	877.5	(45.6%)
Tax (including deferred)	50.1	75.2	(33.3%)	106.7	(53.0%)	154.4	202.2	(23.6%)
PAT (before Minority Interest)	107.3	150.5	(28.7%)	471.7	(77.3%)	323.0	675.3	(52.2%)
Share of (Profit)/ Loss to Associates/ Minority interest	36.1	64.6	(44.2%)	50.1	(27.9%)	130.2	136.0	N.A
PAT after minority interest and share of loss of associate	71.2	85.9	(17.1%)	421.7	(83.1%)	192.9	539.3	(64.2%)

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

** Exceptional item pertain to profit on sale of long term investment held by company

Note: Consequent to the adoption of the revised estimation of the useful life of the fixed assets of the Company as stipulated in Schedule II of the Companies Act 2013 with effect from 1st April 2014, the depreciation, for the current quarter is higher by Rs. 38.2mn. (Rs. 66.0mn on consolidated basis) and for the nine months it is higher by Rs. 188.4mn. (Rs. 257.2mn on consolidated basis)

Key Ratios as a % of Total Revenue	Q3 FY15	Q2 FY15	Q3 FY14	9M FY15	9M FY14
EBIDTA	12.8%	13.8%	11.8%	13.1%	11.6%
PAT	1.9%	2.1%	10.7%	1.7%	4.9%
Total Expenditure	87.2%	86.2%	88.2%	86.9%	88.4%
Raw material	67.0%	67.1%	70.3%	67.3%	69.1%
Staff Cost	9.7%	9.0%	8.3%	9.4%	9.0%
Other Expenditure	10.5%	10.0%	9.7%	10.2%	10.4%

Standalone Unaudited Income Statement

Amount in ₹mn

Particulars	Q3 FY15	Q2 FY15	QoQ(%)	Q3 FY14	YoY(%)	9M FY15	9M FY14	YoY (%)
Net Income from Operations	2,536.7	2,676.9	(5.2%)	2,629.7	(3.5%)	7,787.9	7,529.0	3.4%
Other Operating Income	24.8	33.4	(25.5%)	14.5	71.6%	81.2	48.0	69.2%
Total Income	2,561.5	2,710.3	(5.5%)	2,644.2	(3.1%)	7,869.1	7,577.0	3.9%
Total Expenditure	2,278.9	2,417.6	(5.7%)	2,393.6	(4.8%)	7,007.6	6,894.2	1.6%
Consumption of Raw Material	1,682.8	1,820.9	(7.6%)	1,868.5	(9.9%)	5,261.0	5,262.2	(0.0%)
Staff Cost	300.6	301.1	(0.2%)	262.4	14.6%	879.6	816.7	7.7%
Other Expenditure	295.6	295.7	(0.0%)	262.7	12.5%	867.1	815.3	6.4%
EBITDA	282.6	292.7	(3.4%)	250.6	12.8%	861.5	682.9	26.2%
Depreciation & Amortisation	186.2	202.2	(7.9%)	118.4	57.3%	607.7	352.0	72.6%
EBIT	96.4	90.5	6.5%	132.2	(27.1%)	253.9	330.9	(23.3%)
Finance Charges	60.5	63.4	(4.5%)	76.4	(20.8%)	185.1	253.6	(27.0%)
Other Income	8.9	15.8	(43.8%)	15.1	(41.3%)	30.4	44.1	(31.2%)
PBT before exceptional items	44.8	42.9	4.4%	71.0	(36.9%)	99.2	121.4	(18.3%)
Exceptional items	-	-	NM	(354.3)	NM	-	(354.3)	NM
PBT	44.8	42.9	4.4%	425.3	(89.5%)	99.2	475.7	(79.2%)
Tax (including deferred)	14.5	12.5	15.4%	56.2	(74.3%)	28.2	64.9	(56.5%)
PAT	30.3	30.4	(0.2%)	369.1	(91.8%)	70.9	410.9	(82.7%)

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

** Exceptional item pertain to profit on sale of long term investment held by company

Note: Consequent to the adoption of the revised estimation of the useful life of the fixed assets of the Company as stipulated in Schedule II of the Companies Act 2013 with effect from 1st April 2014, the depreciation, for the current quarter is higher by Rs. 38.2mn. (Rs. 66.0mn on consolidated basis) and for the nine months it is higher by Rs. 188.4mn. (Rs. 257.2mn on consolidated basis)

Key Ratios as a % of Total Revenue	Q3 FY15	Q2 FY15	Q3 FY14	9M FY15	9M FY14
EBIDTA	11.0%	10.8%	9.5%	10.9%	9.0%
PAT	1.2%	1.1%	14.0%	0.9%	5.4%
Total Expenditure	89.0%	89.2%	90.5%	89.1%	91.0%
Raw material	65.7%	67.2%	70.7%	66.9%	69.4%
Staff Cost	11.7%	11.1%	9.9%	11.2%	10.8%
Other Expenditure	11.5%	10.9%	9.9%	11.0%	10.8%

About Us



Proven leadership in India

~50% share in Indian PV Steering market

Strategic locations

Proximity to key auto clusters in India

Marquee clientele

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

High on quality

Winner of TPM Excellence Award

Unmatched R&D capabilities

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

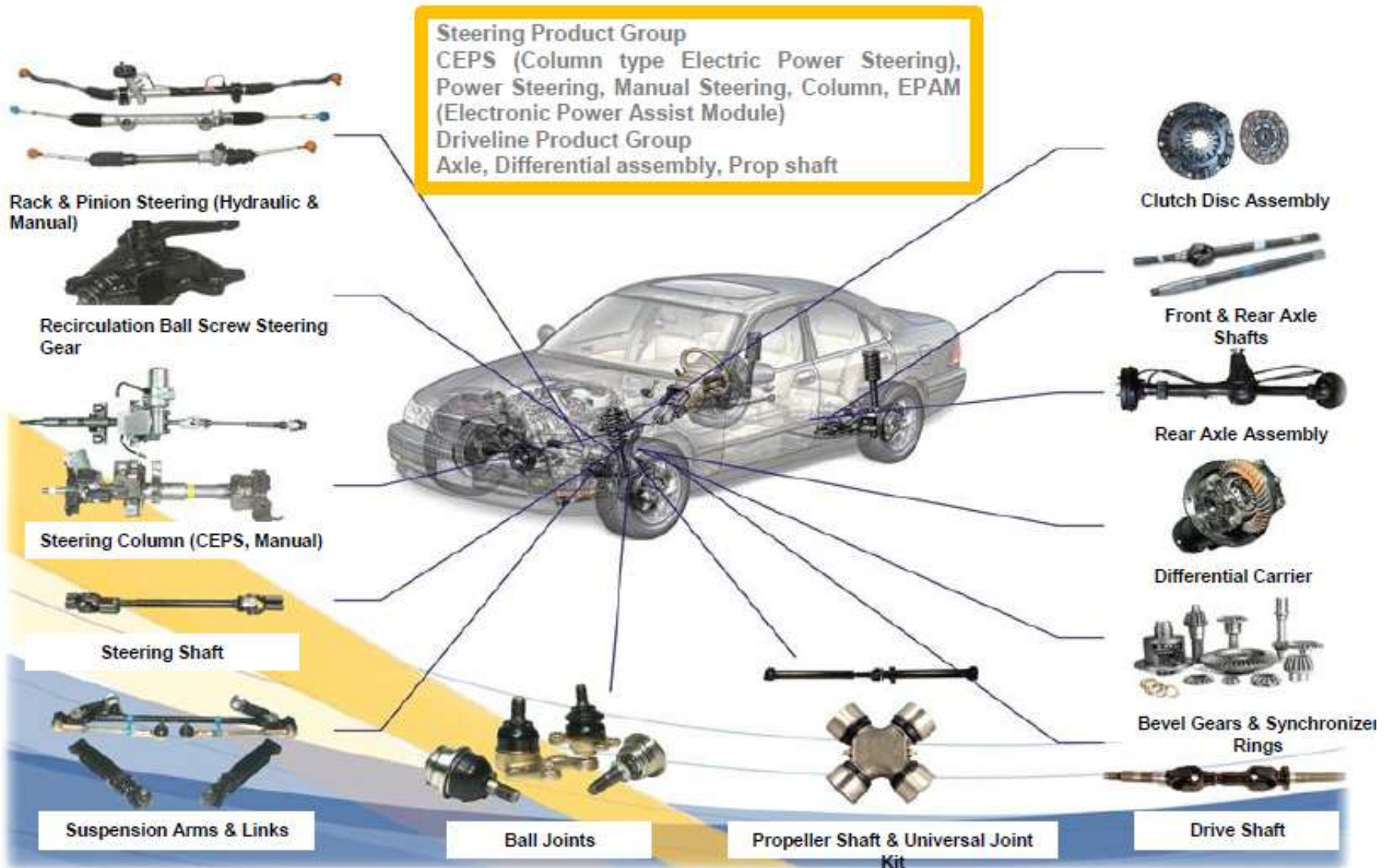
Resilient performance

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

Partnering global leader in steering

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





..... For all major domestic and global OEM brands

Domestic



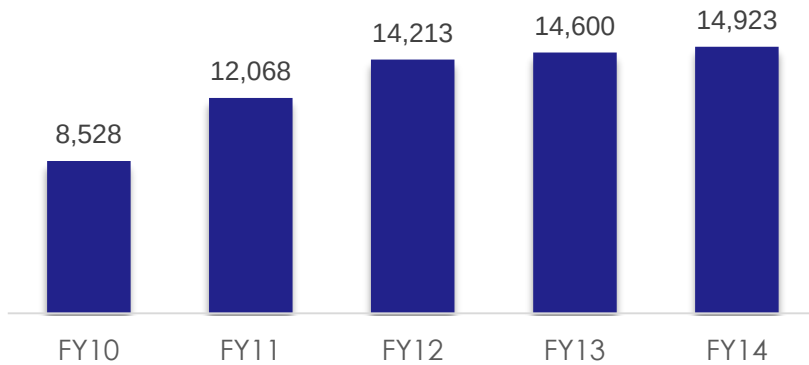
Global



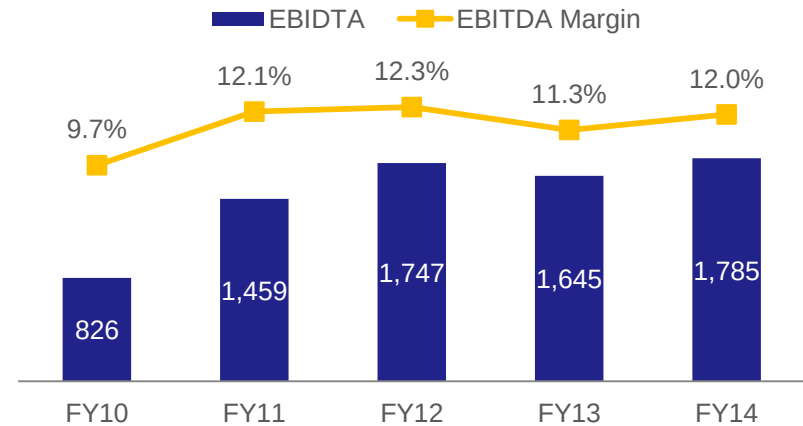
Delivering robust financial performance

Consolidated financials, Amount in ₹mn

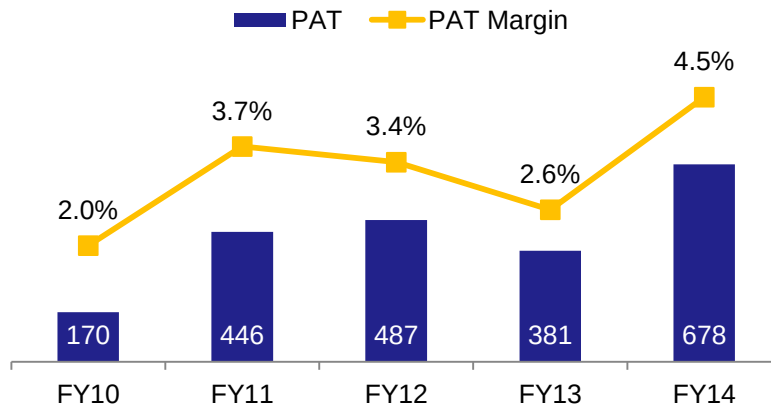
Revenue growing at 15% CAGR



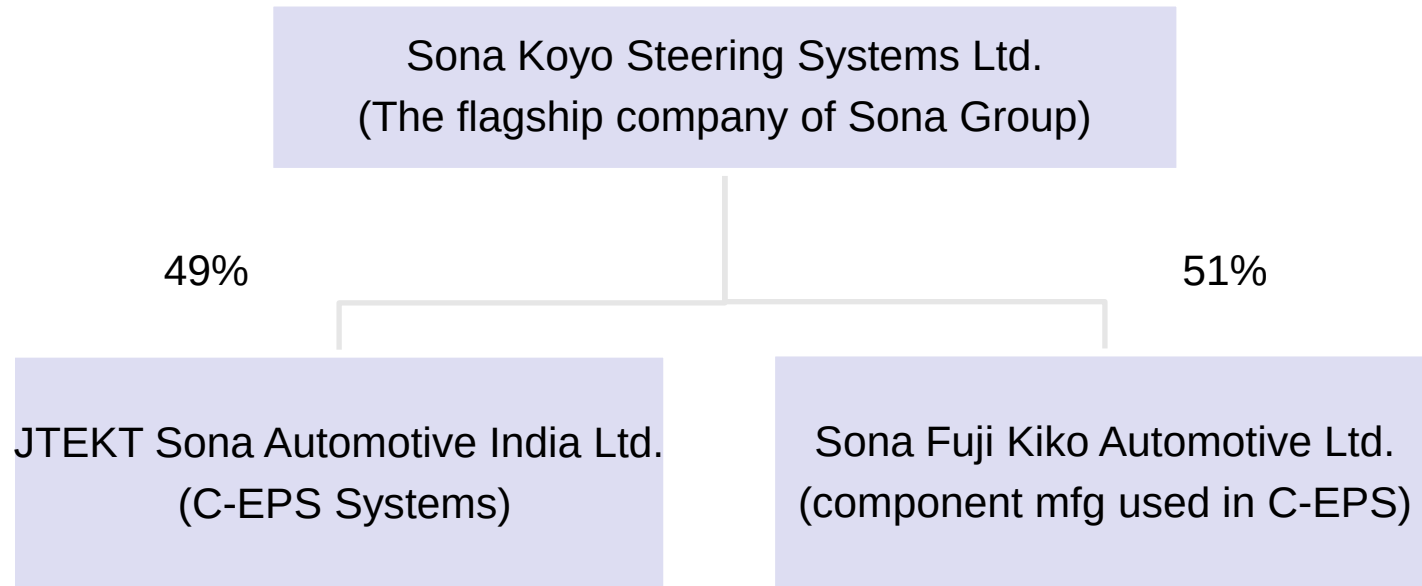
EBITDA expansion led to 21% CAGR



With PAT CAGR at 41%

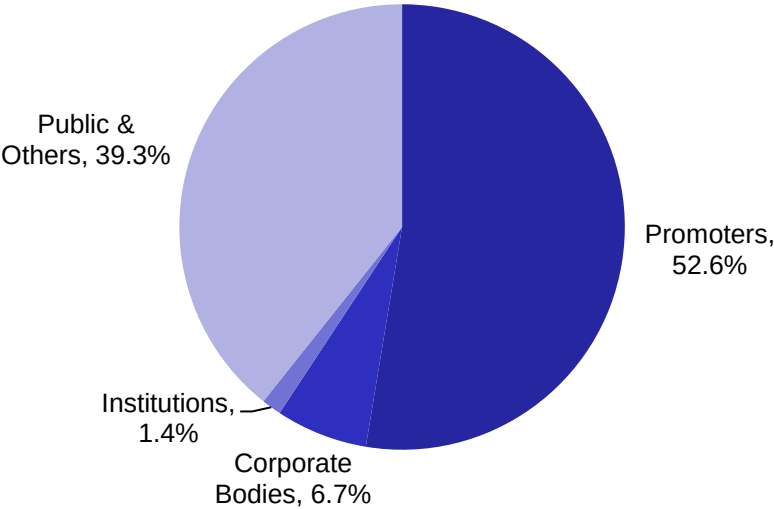


- Opening up of off-highway segment with in-house developed EPAM boosted export revenues hence robust revenue growth
- Raw material cost has come down owing to localisation and backward integration which led to expansion in EBITDA margin

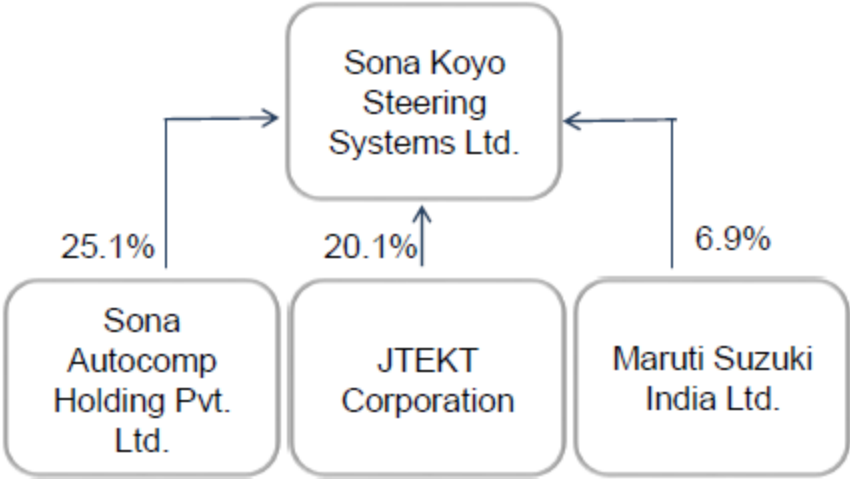


**Shareholding pattern
(As on 31st Dec, 2014)**

Equity Shares Outstanding-198,741,832



**Promoter and Promoter Group
Shares outstanding – 104,533,586**



For any Investor Relations queries please contact:

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Gurgaon Office: 214, Udyog Vihar Phase I, Gurgaon - 122 016, Tel: +91 124 4251443

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

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.