Investor Update – Q4 & FY'14

Sona Koyo Steering Systems Ltd.

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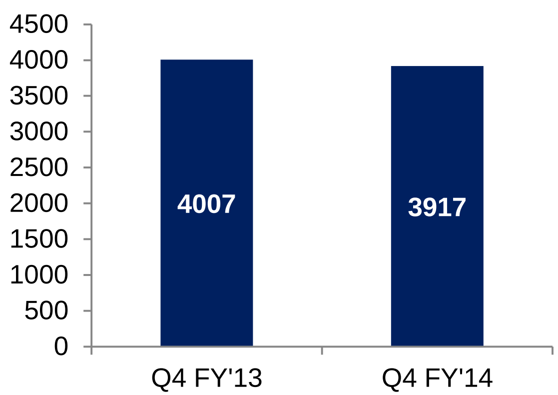
May 30, 2014

Four-S Services

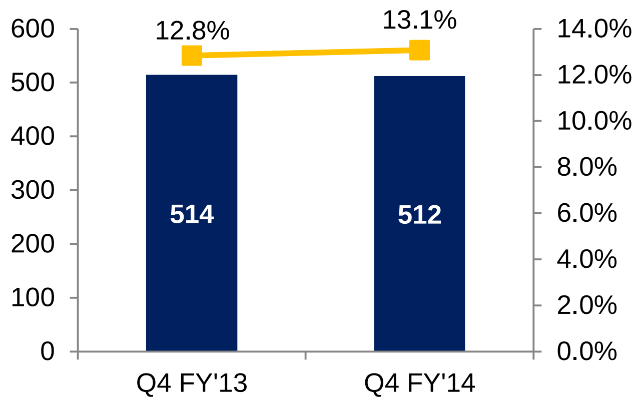
Q4 FY'14 Consolidated: YoY expansion in EBITDA & PAT margin

All figures in Rs Mn

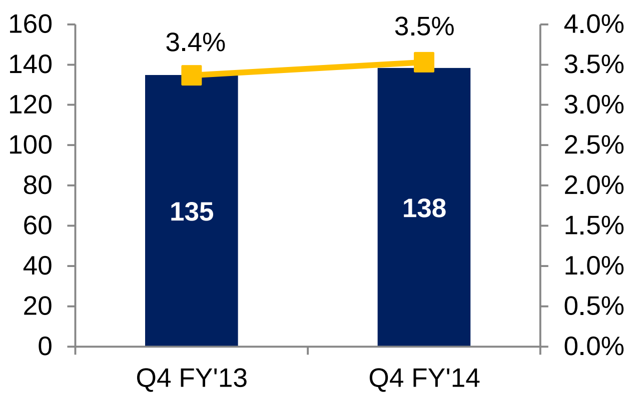
Revenue



EBITDA & EBITDA Margin



PAT & PAT Margin

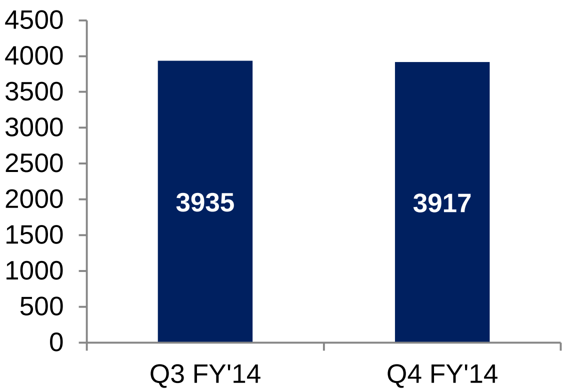


- **Total revenue declines marginally 2.2% YoY from ₹4006.6 mn in Q4FY'13 to ₹3916.6 mn in Q4FY'14**
- **EBITDA margin improves to 13.1% in Q4FY'14 from 12.8% in Q4FY'13 due to**
  - ✓ Decline in Raw material costs as percentage of revenue to 67.9% in Q4 FY'14 from 68.5% in Q4 FY'13
- **PAT after minority interest and share of loss of associate increases to ₹138.3 mn in Q4FY'14 from ₹134.9 mn in Q4FY'13**
  - ✓ Interest cost declines by 23.8% YoY due to lower debt

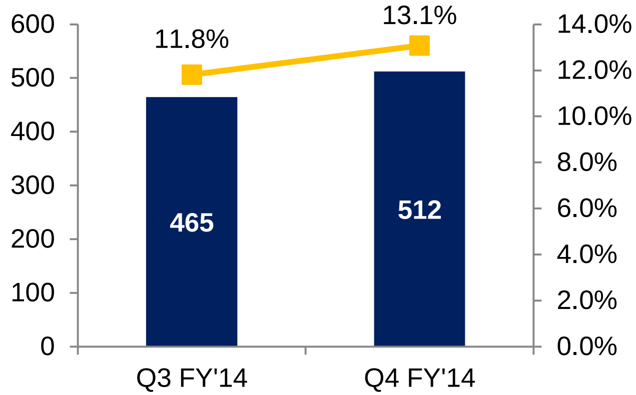
Q4 FY'14 Consolidated: Lower RM costs drive EBITDA margin QoQ

All figures in Rs Mn

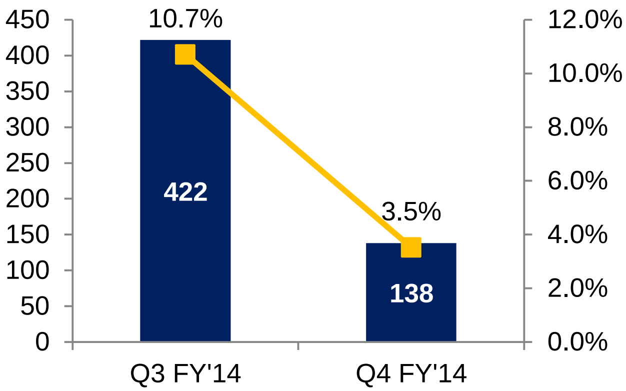
Revenue



EBITDA & EBITDA Margin



PAT & PAT Margin

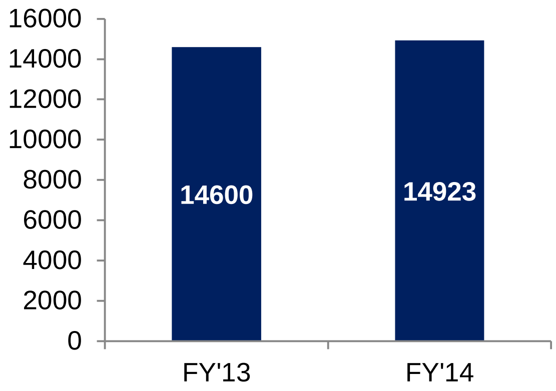


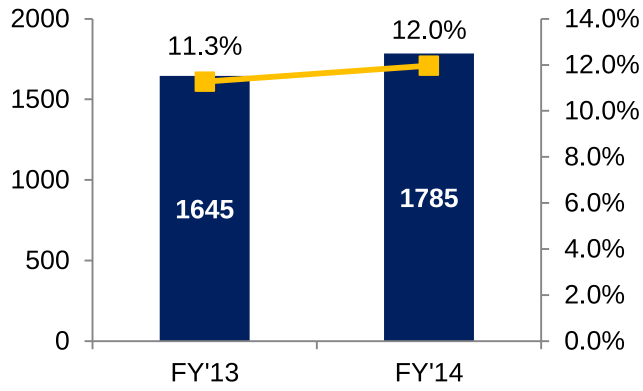
- **Total revenue remains flat at ₹3916.6 mn in Q4FY'14 compared to ₹3935.4 mn in Q3FY'14**
- **EBITDA up 10.2% QoQ to ₹512.2 mn with margin improvement at 13.1% in Q4FY'14 from 11.8% in Q3FY'14 due to**
  - ✓ Decline in raw material costs as percentage of revenue from 70.3% to 67.9%
- **PAT after minority interest and share of loss of associate at ₹138.3 mn in Q4FY'14 compared to ₹421.7 mn in Q3FY'14**
  - ✓ Q3 FY'14 PAT margin at 10.7% primarily on account of sale of investment held in Fuji Autotech Europe S.A.S.

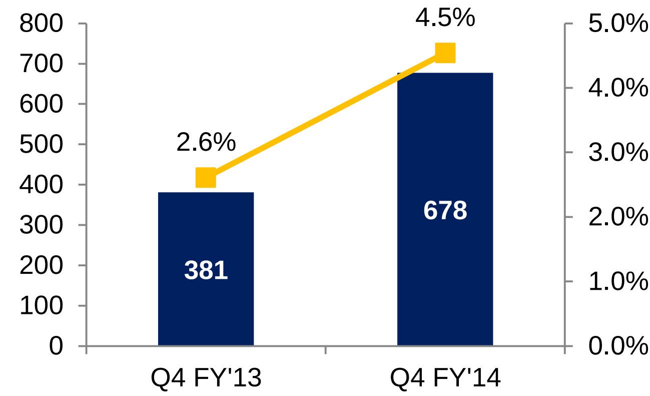
Consolidated FY'14 revenue grows by 2.2% to reach Rs 678 mn

All figures in Rs Mn

Revenue	EBITDA & EBITDA Margin	PAT & PAT Margin





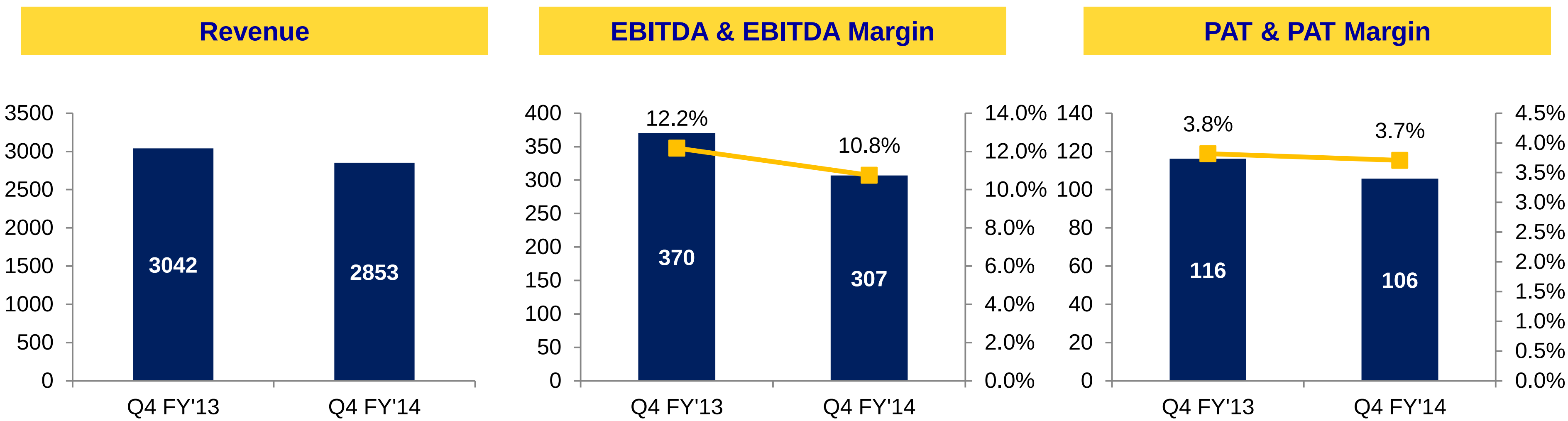


- **Consolidated revenue grows by 2.2% YoY in FY'14 to reach ₹14923.1 mn.**
  - ✓ JSAI leads growth with revenue increasing by 29.8%
- **EBITDA up 8.5% YoY to ₹1785.2 mn with EBITDA margin improving to 12.0% in FY'14 from 11.3% in FY13 due to**
  - ✓ Decline in raw material cost to 68.8% of revenue from 70.2% last year
- **PAT for FY'14 net of minority interest and share of loss of associate at ₹677.6 mn with PAT margin at 4.5% primarily on account of sale of investment held in Fuji Autotech Europe S.A.S.**

Refer Slide 12 for detailed P&L Statement

Q4 FY’14 standalone: Resilient performance at PAT level on YoY basis

All figures in Rs Mn



- **Total revenue declines by 6.2% YoY to ₹2852.9 mn in Q4’FY14 from ₹3041.6 mn in Q4FY’13**
- **EBITDA margins decline to 10.8% in Q4FY’14 compared to 12.2% in Q4FY’13 due to:**
  - ✓ Raw material costs as a percentage of revenue increase from 67.9% to 68.4%
  - ✓ Other expenses as percentage of revenue increase from 9.9% to 10.8%
- **Company posts net profit of ₹105.8 mn with PAT margin at 3.7% against 3.8% in Q4FY’13**

Refer Slide 13 for detailed P&L Statement

Q4 FY’14 Standalone: 7.9% QoQ increase in revenue

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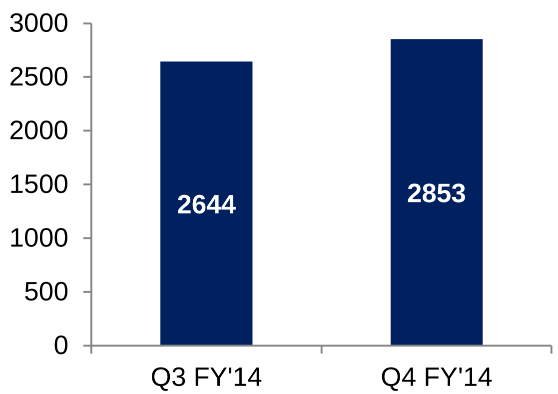
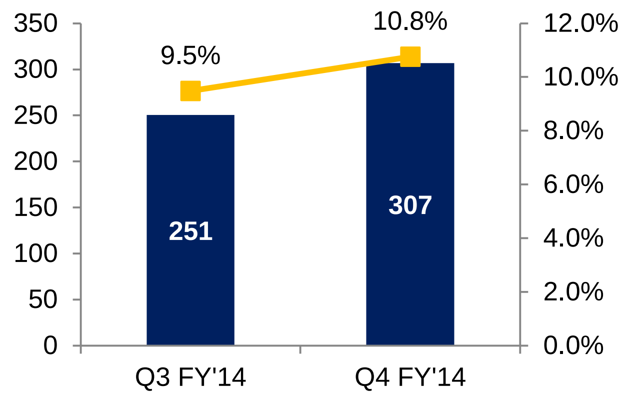
All figures in Rs Mn

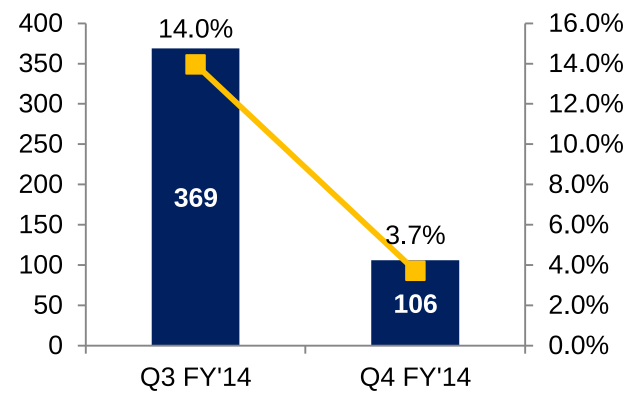
Revenue



EBITDA & EBITDA Margin



PAT & PAT Margin



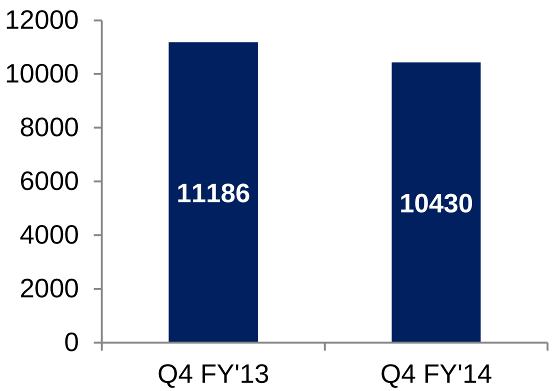
- **Total revenue increases by 7.9% QoQ to ₹2852.9 mn in Q4FY’14 from ₹2644.2 mn in Q3FY’14**
- **EBITDA increases 22.5% QoQ to ₹306.9 mn with healthy expansion in margins to 10.8% from 9.5% in Q3FY’14 due to:**
  - ✓ Decline in raw material costs as percentage of revenue from 70.7% to 68.4%
- **Company posts net profit of ₹105.8 mn with margin of 3.7%**
  - ✓ Finance costs decline by 14.4% due to lower debt
  - ✓ Q3 FY’14 PAT margin at 14.0% primarily on account of sale of investment held in Fuji Autotech Europe S.A.S.

Refer Slide 13 for detailed P&L Statement

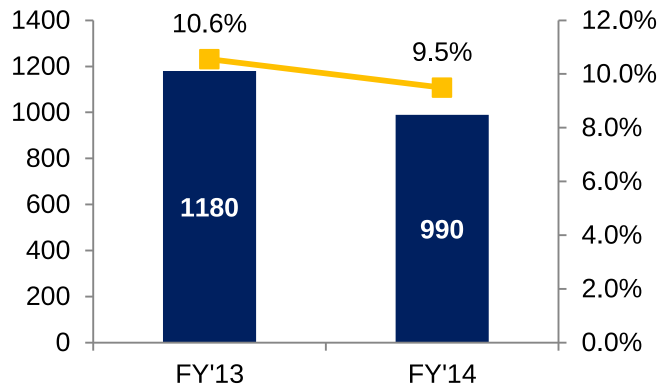
Standalone FY14 PAT increases to Rs 517 mn

All figures in Rs Mn

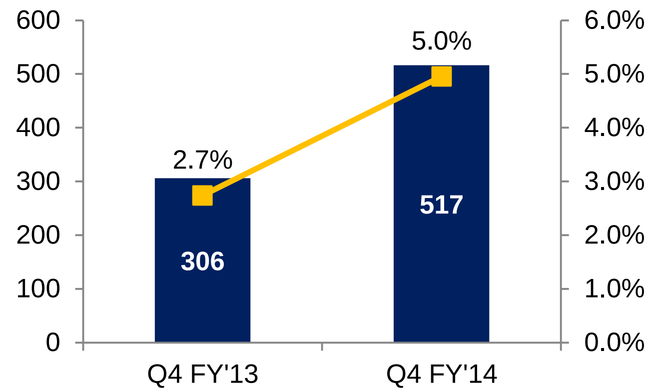
Revenue



EBITDA & EBITDA Margin



PAT & PAT Margin



- **Standalone revenues for FY'14 decreases by 6.8% YoY to ₹10430.0 mn compared to ₹11185.6 mn in FY'13**

- **EBITDA margin declines marginally to 9.5% compared to 10.6% last year due to**
  - ✓ Increase in staff cost to 10.6% of revenue in FY'14 from 9.5% last year
  - ✓ Increase in other expenses to 10.8% of revenue from 9.9% last year

- **PAT for FY'14 is at ₹516.6 mn compared to ₹306.1 mn last year with PAT margin at 5.0% mainly due to sale of investment held in Fuji Autotech Europe S.A.S.**

Refer Slide 13 for detailed P&L Statement

Sale of European J.V Fuji Autotech Europe S.A.S

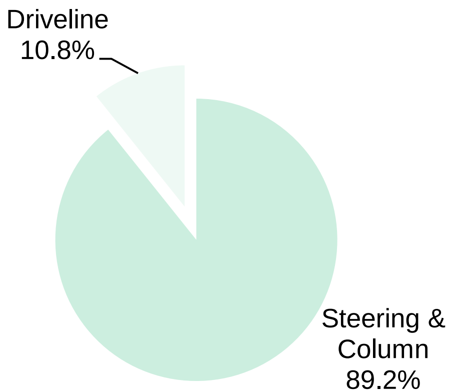
- During the year, ₹647.5 mn was realized on account of sale of stake in Fuji Autotech Europe S.A.S.

- The investment of ₹293.2 mn was made in FY07 – there by resulting in gain of ₹354.3 mn which is recorded as exceptional income in the reported financial year

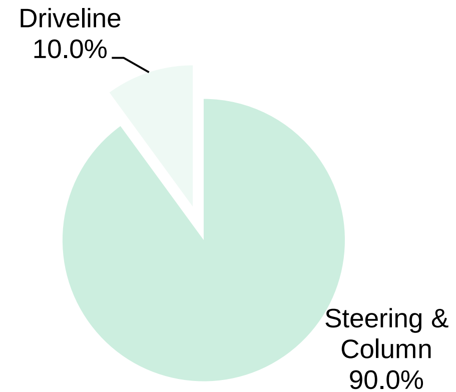
In-house R&D product EPAM boosting exports

Product Wise Sales Mix*

FY13



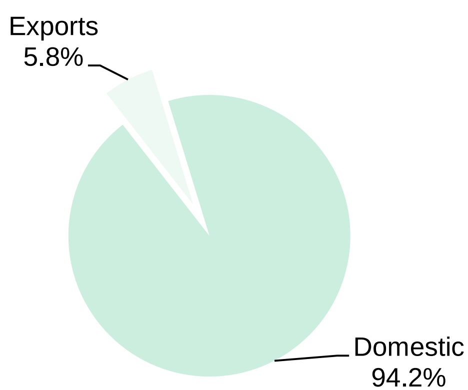
FY14



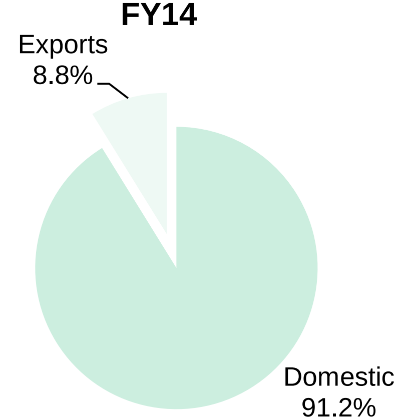
***Note: Break-up on gross basis, Steering & column product group includes EPAM sales**

Geographic Sales Mix

FY13



FY14

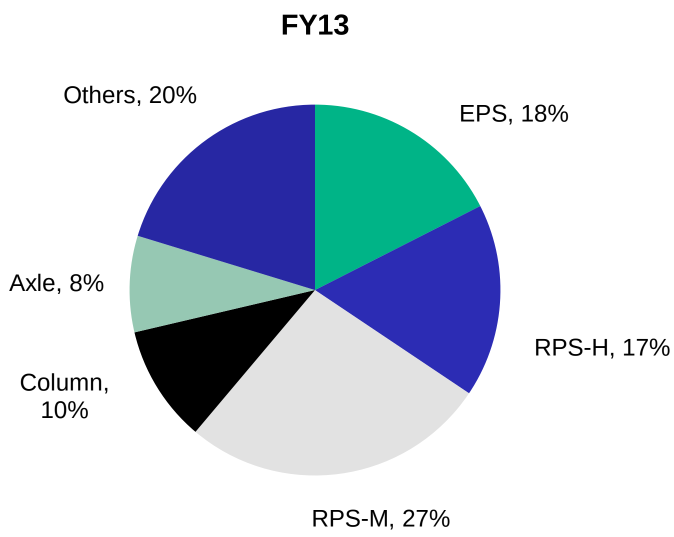


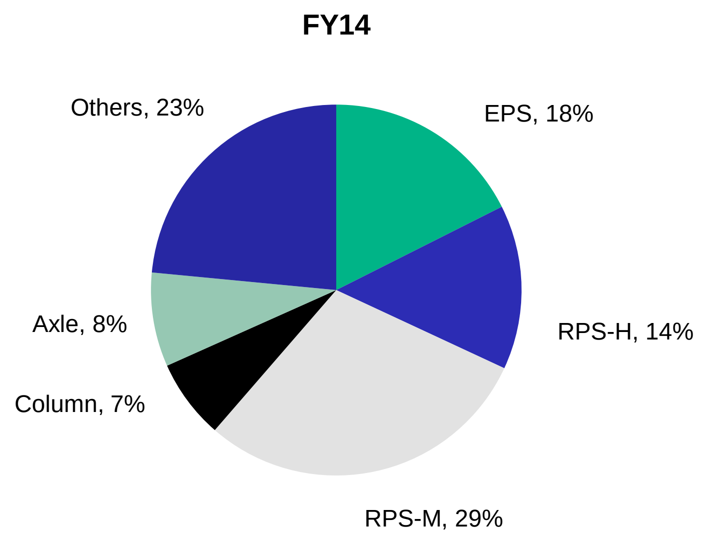
***Note: Break up on standalone basis**

Capacity utilization

- Capacity Utilization across product categories during FY’14
  - ✓ Steering Products – 70% vs 80% in FY’13
  - ✓ Driveline Products – 32% vs 35% in FY’13

Diversification in key steering & driveline products





- **EPAM revenue grows by 121.3% to reach ₹393.2 mn in FY’14 against ₹177.7 mn in FY’13.**

Income Statement & Key Ratios - Consolidated

Consolidated Unaudited Income Statement

Amount in ₹mn

Particulars	Q4 FY14	Q3 FY14	QoQ (%)	Q4 FY13	YoY (%)	FY'14	FY'13	YoY (%)
Net Income from Operations	3,886.0	3,915.8	-0.8%	3,977.7	-2.3%	14,831.8	14,517.1	2.2%
Other Operating Income	30.6	19.6	56.7%	28.9	5.9%	91.3	83.1	9.9%
Total Income	**3,916.6**	**3,935.4**	**-0.5%**	**4,006.6**	**-2.2%**	**14,923.1**	**14,600.2**	**2.2%**
Total Expenditure	3,404.4	3,470.7	-1.9%	3,492.3	-2.5%	13,137.9	12,954.8	1.4%
Consumption of Raw Material	2,658.9	2,765.3	-3.8%	2,746.4	-3.2%	10,260.7	10,246.0	0.1%
Staff Cost	349.9	325.5	7.5%	356.7	-1.9%	1,341.9	1,259.0	6.6%
Other Expenditure	395.6	379.9	4.1%	389.2	1.6%	1,535.4	1,449.8	5.9%
EBITDA	**512.2**	**464.7**	**10.2%**	**514.3**	**-0.4%**	**1,785.2**	**1,645.4**	**8.5%**
Depreciation & Amortisation	203.8	159.5	27.8%	155.2	31.3%	679.5	585.0	16.2%
EBIT	**308.4**	**305.2**	**1.1%**	**359.1**	**-14.1%**	**1,105.7**	**1,060.5**	**4.3%**
Finance Charges	81.4	94.1	-13.5%	106.9	-23.8%	392.3	410.9	-4.5%
Other Income	5.9	13.0	-54.7%	21.9	-73.1%	42.7	93.5	-54.3%
PBT before exceptional items	**232.9**	**224.1**	**3.9%**	**274.1**	**-15.0%**	**756.1**	**743.1**	**1.7%**
Exceptional items	-	(354.3)		-		(354.3)	-	
(Gain)/Loss on Foreign Currency Loan Translation	-	-		-		-	-	
PBT	**233**	**578.4**	**-59.7%**	**274.1**	-15.0%	**1,110.4**	**743.1**	**49.4%**
Tax (including deferred)	45.2	106.7	-57.7%	111.0	-59.3%	247.3	263.4	-6.1%
PAT (before Minority Interest)	**187.7**	**471.7**	**-60.2%**	**163.1**	15.1%	**863.0**	**479.7**	**79.9%**
Share of profit/ (loss) of associate	(7.7)					(7.7)		
Minority Interest	41.7	50.1	N.A.	28.2	75.3%	177.7	98.8	N.A
PAT (After Minority Interest)	**138.3**	**421.7**	**-67.2%**	**134.9**	**2.5%**	**677.6**	**380.9**	**77.9%**
EPS (Rs.)	0.70	2.1	-67.0%	0.68	2.9%	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	Q4 FY14	Q3 FY14	Q4 FY13	FY'14	FY'13
EBIDTA	13.1%	11.8%	12.8%	12.0%	11.3%
PAT	3.5%	10.7%	3.4%	4.5%	2.6%
Total Expenditure	86.9%	88.2%	87.2%	88.0%	88.7%
Raw material	67.9%	70.3%	68.5%	68.8%	70.2%
Staff Cost	8.9%	8.3%	8.9%	9.0%	8.6%
Other Expenditure	10.1%	9.7%	9.7%	10.3%	9.9%

Income Statement & Key Ratios - Standalone

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Standalone Unaudited Income Statement

Amount in ₹mn

Particulars	Q4 FY14	Q3 FY14	QoQ (%)	Q4 FY13	YoY (%)	FY'14	FY'13	YoY (%)
Net Income from Operations	2,819.9	2,629.7	7.2%	3,017.2	-6.5%	10,348.9	11,118.4	-6.9%
Other Operating Income	33.1	14.5	128.4%	24.4	35.5%	81.1	67.2	20.6%
Total Income	**2,852.9**	**2,644.2**	**7.9%**	**3,041.6**	**-6.2%**	**10,430.0**	**11,185.6**	**-6.8%**
Total Expenditure	2,546.0	2,393.6	6.4%	2,671.3	-4.7%	9,440.2	10,005.3	-5.6%
Consumption of Raw Material	1,950.2	1,868.5	4.4%	2,065.1	-5.6%	7,212.4	7,835.0	-7.9%
Staff Cost	288.2	262.4	9.8%	306.2	-5.9%	1,104.9	1,067.4	3.5%
Other Expenditure	307.6	262.7	17.1%	300.0	2.5%	1,122.8	1,103.0	1.8%
EBITDA	**306.9**	**250.6**	**22.5%**	**370.3**	**-17.1%**	**989.8**	**1,180.3**	**-16.1%**
Depreciation & Amortisation	139.0	118.4	17.4%	117.1	18.7%	491.0	431.8	13.7%
EBIT	**167.9**	**132.2**	**27.0%**	**253.2**	**-33.7%**	**498.8**	**748.5**	**-33.4%**
Finance Charges	65.3	76.4	-14.4%	88.3	-26.0%	318.9	335.2	-4.9%
Other Income	4.7	15.1	-69.0%	25.9	-82.0%	48.8	55.7	-12.3%
PBT before exceptional items	**107.3**	**71.0**	51.1%	**190.8**	-43.8%	**228.7**	**469.0**	-51.2%
Exceptional items	-	(354.3)	N.A.	-		(354.3)	-	N.A
(Gain)/Loss on Foreign Currency Loan Translation	-	-	N.A.	-		-	-	N.A
PBT	**107.3**	**425.3**	**-74.8%**	**190.8**	-43.8%	**583.0**	**469.0**	**24.3%**
Tax (including deferred)	1.5	56.2	-97.3%	74.6	-98.0%	66.4	162.8	-59.2%
PAT	**105.8**	**369.1**	**-71.3%**	**116.1**	-8.9%	**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	Q4 FY14	Q3 FY14	Q4 FY13	FY'14	FY'13
EBIDTA	10.8%	9.5%	12.2%	9.5%	10.6%
PAT	3.7%	14.0%	3.8%	5.0%	2.7%
Total Expenditure	89.2%	90.5%	87.8%	90.5%	89.4%
Raw material	68.4%	70.7%	67.9%	69.2%	70.0%
Staff Cost	10.1%	9.9%	10.1%	10.6%	9.5%
Other Expenditure	10.8%	9.9%	9.9%	10.8%	9.9%

Key Balance sheet figures

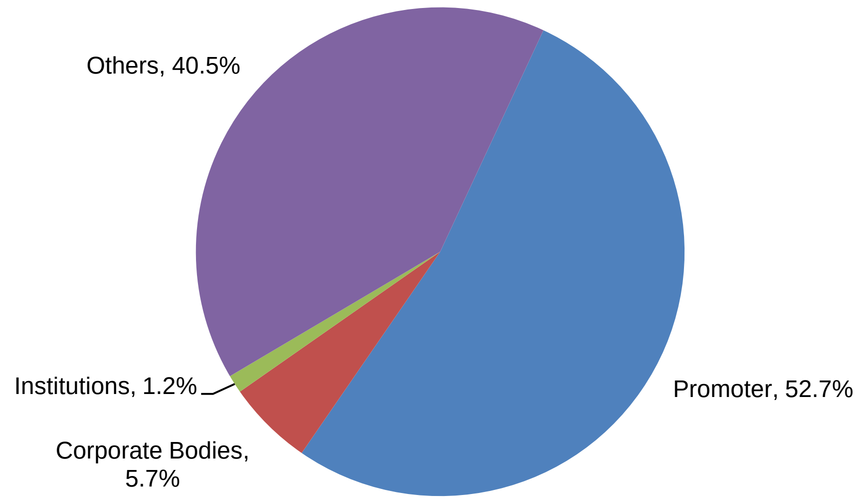
Amount in ₹mn

Particulars	Standalone FY13	Standalone FY14	Consolidated FY13	Consolidated FY14
Equity & Liabilities				
Total shareholders funds	2,430.9	2,664.4	2,621.9	3,089.0
Minority Interest	-	-	607.5	785.2
Long-term borrowings	1,973.3	1,610.6	2,403.4	1,695.7
Other long-term liabilities	439.3	440.4	574.9	589.6
Non-current liabilities	**2,412.6**	**2,051.0**	**2,978.3**	**2,285.3**
Short-term borrowings	499.0	482.3	703.3	653.8
Trade Payables	1,467.1	1,528.8	1,934.8	1,950.9
Other current liabilities	1,063.5	1,073.4	1,631.5	1,626.0
Current Liabilities	**3,029.5**	**3,084.5**	**4,269.6**	**4,230.7**
Total Equity + Liabilities	**7873.0**	**7799.9**	**10477.3**	**10,390.2**
Assets				
Fixed assets	4,524.5	4,889.0	6,389.6	6,771.5
Goodwill on Consolidation	-	-	24.2	-
Non-current Investments	687.7	346.3	295.2	9.8
Long-term loans and advances	83.7	84.6	137.0	103.4
Other non current assets	1.9	2.1	3.9	4.4
Total non-current Assets	**5,297.8**	**5,322.0**	**6,850.0**	**6,889.1**
Inventories	544.6	710.8	813.7	935.8
Trade receivables	1,558.0	1,390.9	2,274.5	2,081.8
Cash and bank balances	14.7	20.6	25.4	28.2
Short-term loans and advances	235.8	263.3	291.8	360.9
Other current assets	222.0	92.2	221.9	94.4
Total current Assets	**2,575.2**	**2,477.9**	**3,627.3**	**3,501.1**
Total Assets	**7,873.0**	**7,799.9**	**10,477.3**	**10,390.2**

Shareholding Pattern

As on 31st March 2014

Equity Shares Outstanding-198,741,832



Contact Us

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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**

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.