



Investor Update – Q2 & H1 FY'15

Sona Koyo Steering Systems Ltd.



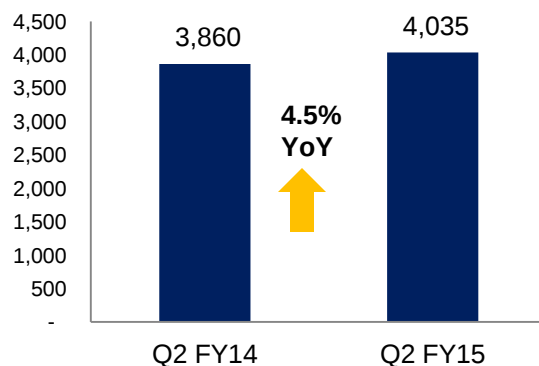
November 13, 2014

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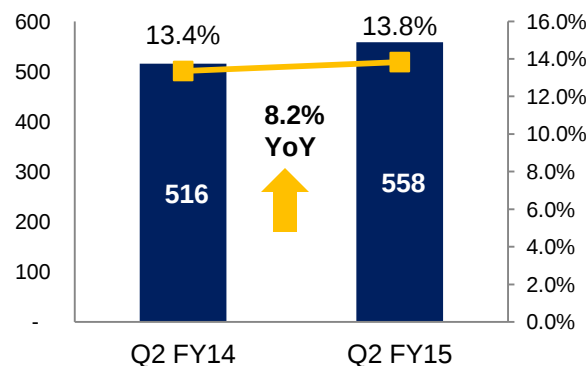
Q2 FY'15 Consolidated: Steady YoY growth in revenues

All figures in Rs Mn

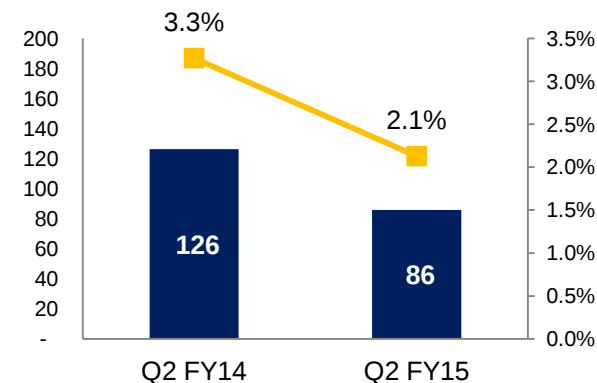
Revenue



EBITDA & EBITDA Margin



PAT & PAT Margin



■ Total revenue in Q2FY15 increases 4.5% YoY to Rs 4,035mn compared to Rs 3,860mn in Q2FY14

■ EBITDA increases by 8.2% YoY to Rs 558mn with margin improving to 13.8%

- ✓ Raw material cost declines to 67.1% in Q2FY15 as compared to 68.5% in Q2 FY14 because of localization of CPS (Column-electric power steering)

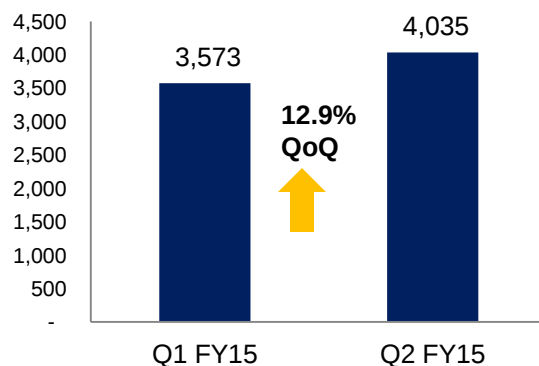
■ PAT after minority interest and share of loss of associate at Rs 86mn with margin of 2.1%

- ✓ Increase in depreciation and amortisation expense of Rs 89 mn on account of adoption of revised estimation of useful life of fixed assets

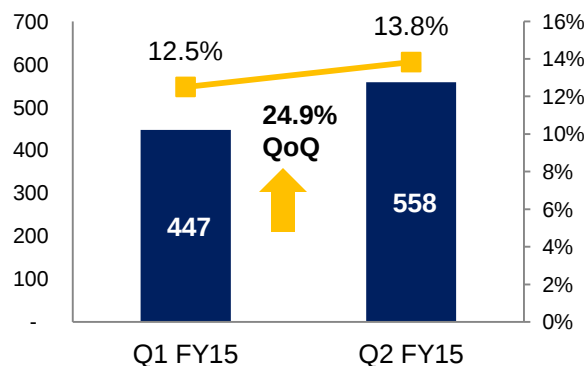
Q2 FY'15 Consolidated: Robust QoQ growth in revenues and profits

All figures in Rs Mn

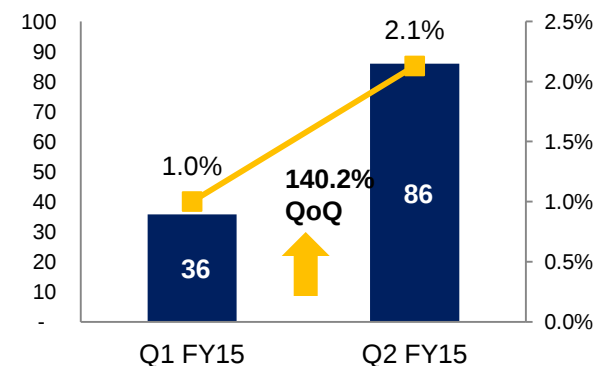
Revenue



EBITDA & EBITDA Margin

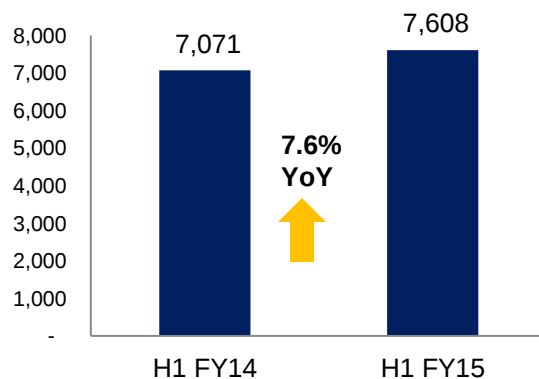


PAT & PAT Margin

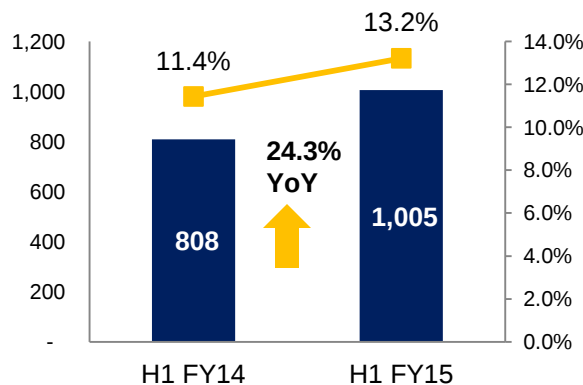


- Total revenue increase by 12.9% over previous quarter to reach Rs 4,035mn in Q2FY15 with new launches such as Honda Mobilio and Maruti Ciaz
- EBITDA up by 24.9% QoQ in Q2FY15 driven by both revenue growth and margin expansion. EBITDA margin expands to 13.8% in Q2FY15 from 12.5% in Q1FY15
 - ✓ Decline across all cost heads, Raw material costs decline from 67.8% in Q1 FY15 to 67.1% in Q2 FY15. Staff cost declines from 9.6% in Q1FY15 to 9.0% in Q1FY15
- Robust 140.2% QoQ growth in PAT after minority interest and share of loss of associate to reach Rs 86mn compared to Rs 36mn in last quarter
 - ✓ Other income of Rs 14.3mn in Q2FY15 as against Rs 4.5mn in Q1FY15, with receipt of dividend income from subsidiaries

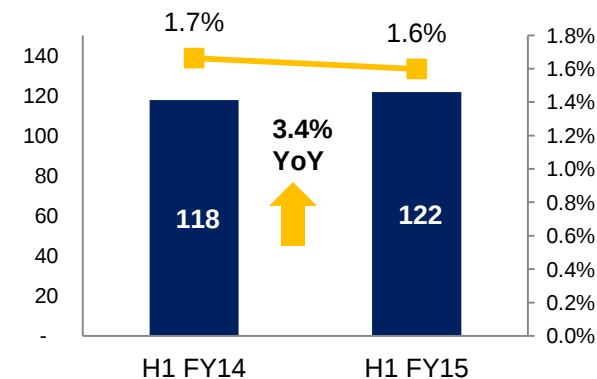
Revenue



EBITDA & EBITDA Margin

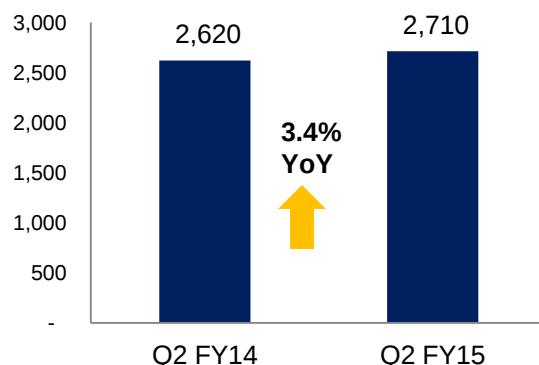


PAT & PAT Margin

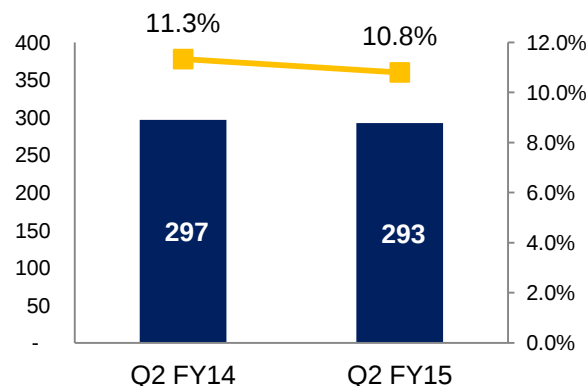


- **Total revenue increase by 7.6% YoY to reach Rs 7,608mn in H1FY15 with new launches such as Honda Mobilio and Maruti Ciaz**
- **EBITDA up 24.3%YoY. EBITDA margin expands to 13.2% in H1FY15 from 11.4% in H1FY14 with reduction in all cost heads as %age of revenues**
 - ✓ Raw material costs decline from 68.4% in H1FY14 to 67.5% in H1FY15 because of localization of CPS (Column-electric power steering)
 - ✓ Other costs decline from 10.7% in H1FY14 to 10.1% in H1FY15
- **PAT after minority interest and share of loss of associates increase to Rs 122mn in H1FY15**
 - ✓ Expansion in EBITDA margin partly off-set by increase in depreciation and amortization costs of Rs. ~191 mn due on account of adoption of revised estimation of useful life of fixed assets

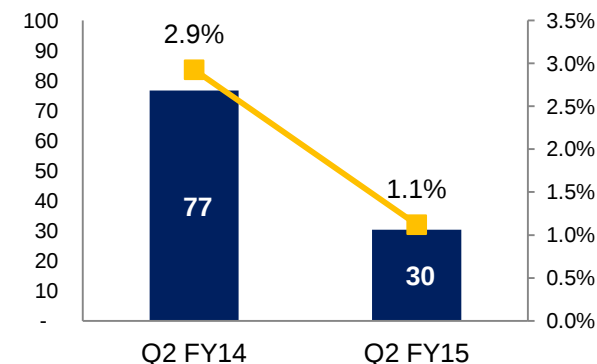
Revenue



EBITDA & EBITDA Margin



PAT & PAT Margin



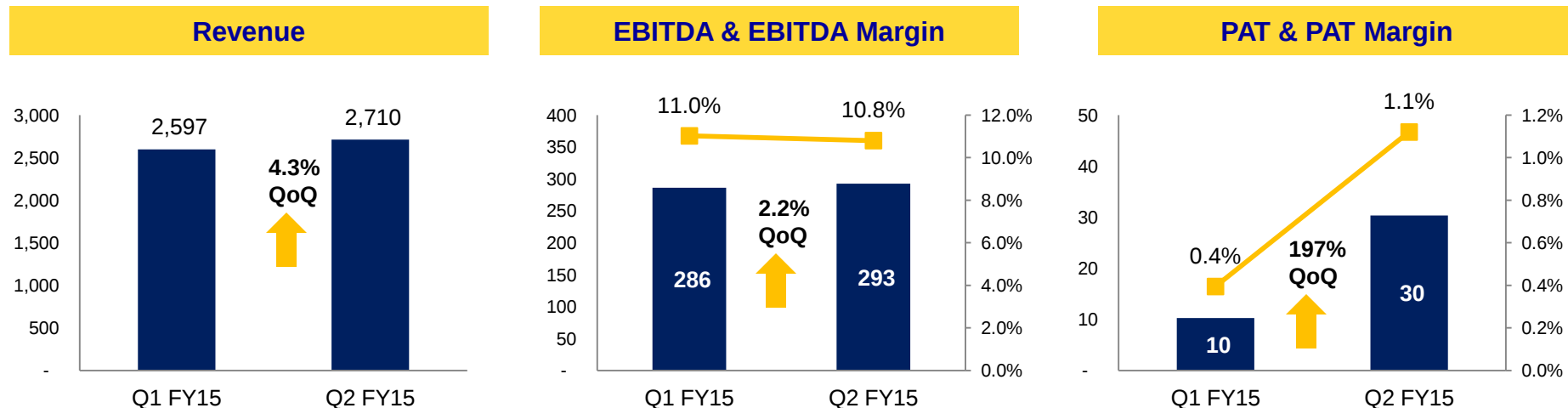
■ **Total revenue in Q2FY15 up by 3.4% YoY to reach Rs 2,710mn driven by robust growth in driveline products**

■ **EBITDA in Q2FY15 at Rs 293mn with margin at 10.8%**

- ✓ Staff costs and other expenses as % of revenues up by 1% due to increase in number of employees with merger of Sona Stamping Ltd. and other backward integration projects
- ✓ Decline in raw material costs as % of revenues by 1.5% partly offsets increase in other costs

■ **PAT in Q2 FY15 at Rs 30mn with PAT margin of 1.1%**

- ✓ Substantial decrease in interest cost (Rs. 63 mn in Q2FY15 vs Rs. 90 mn in Q2FY14) owing to repayment of debt of Rs ~650 mn. This was offset by increase in depreciation and amortisation of Rs ~65 mn on account of adoption of revised estimation of useful life of fixed assets

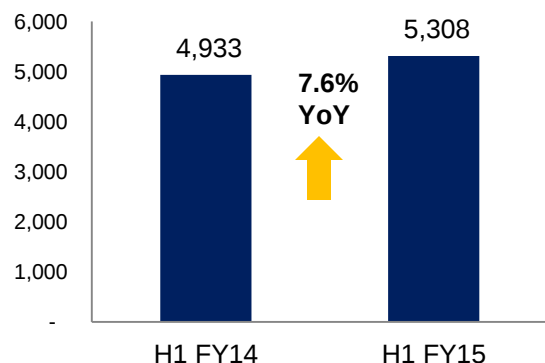


- Total revenue in Q2FY15 up by 4.3% QoQ to reach Rs 2,710mn mainly driven by driveline products
- EBITDA in Q2FY15 up by 2.2% QoQ to reach Rs 293mn. EBITDA margin at 10.8% in Q2FY15
 - ✓ Increase in employee cost for expansion and backward integration
- PAT in Q2FY15 at Rs 30mn. PAT margin improves to 1.1% compared to 0.4% in the pervious quarter
 - ✓ Increase in other income with receipt of dividend income from subsidiaries
 - ✓ Slight reduction in depreciation costs as % of revenues – down from 8.4% in Q1FY15 to 7.4% in Q1FY15 (due to implementation of Schedule II), partly offset by increased taxes

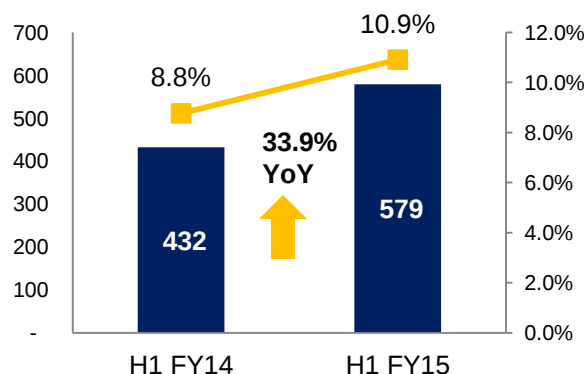
Standalone H1 FY15: Revival in EBITDA margin driven by reduced RM costs

All figures in Rs Mn

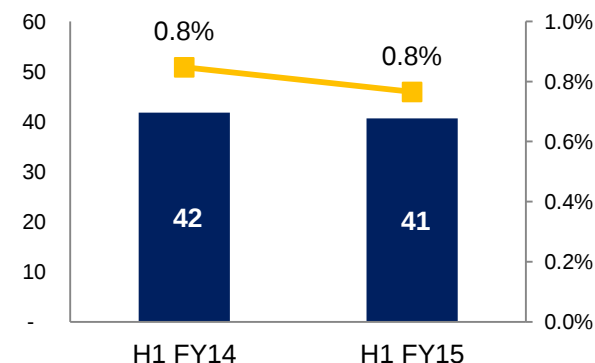
Revenue



EBITDA & EBITDA Margin



PAT & PAT Margin



■ Total revenue for H1FY15 up by 7.6% YoY to reach Rs 5,308mn

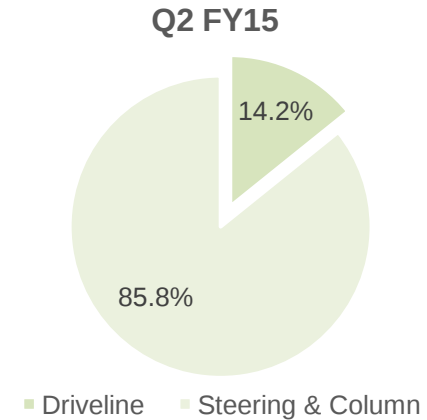
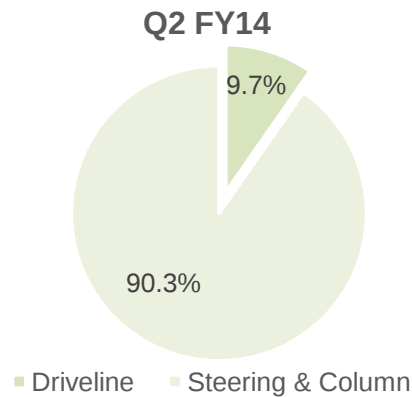
■ EBITDA for the period up by 33.9% to reach Rs 579mn. EBITDA margin expands to 10.9% compared to 8.8% in H1FY14

- ✓ Raw material costs declines to 67.4% of revenues compared to 68.8% in H1 FY14 because of localization of CPS (Column-electric power steering)

■ PAT for the period at Rs 41mn with margin of 0.8%

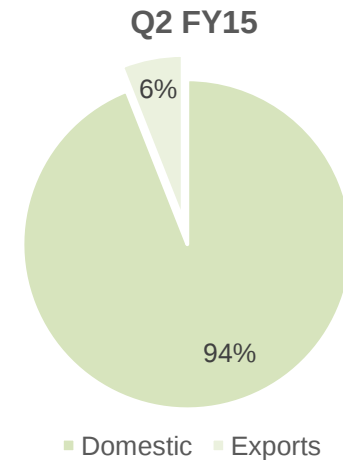
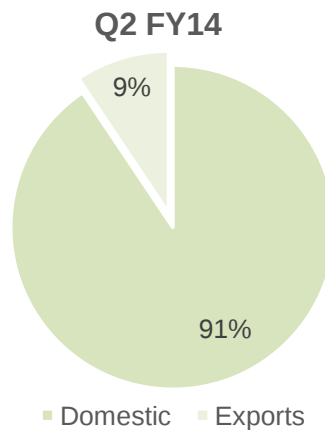
- ✓ Depreciation and amortization expense up by Rs. ~150 mn due on account of adoption of revised estimation of useful life of fixed assets

Product Wise Sales Mix*



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

Geographic Sales Mix



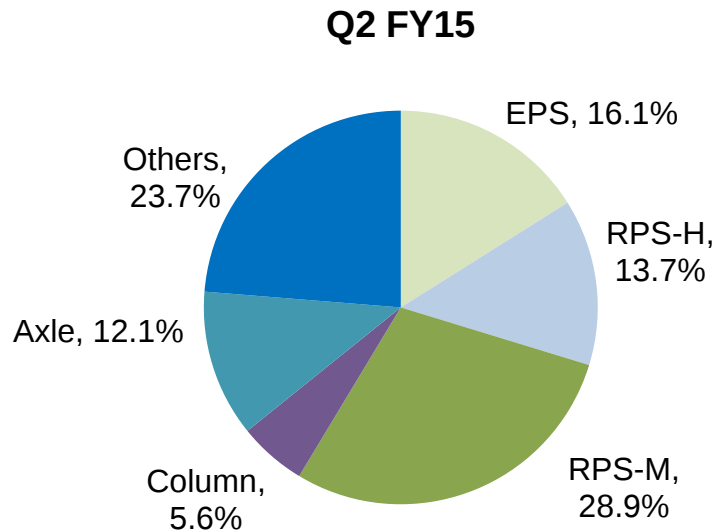
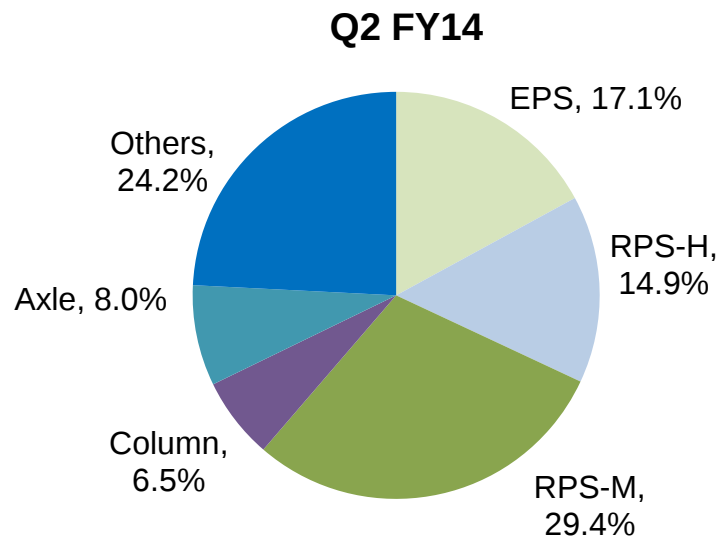
***Note: Break up on standalone basis**

Capacity utilization

■ Capacity Utilization across product categories during YTD FY15

- ✓ Steering Products – **61% YTD Sep' 2014**
- ✓ Column Products – **68% YTD Sep' 2014**
- ✓ Driveline Products – **31% YTD Sep' 2014**

Key steering & driveline products revenue break-up



Income Statement & Key Ratios - Consolidated

Consolidated Unaudited Income Statement

Amount in ₹mn

Particulars	Q2 FY15	Q1 FY15	QoQ (%)	Q2 FY14	YoY (%)	H1 FY15	H1 FY14	YoY (%)
Net Income from Operations	3,999.7	3,548.0	12.7%	3,839.2	4.2%	7,547.7	7,030.0	7.4%
Other Operating Income	35.4	24.6	43.9%	21.1	68.0%	60.1	41.1	45.9%
Total Income	4,035.1	3,572.6	12.9%	3,860.3	4.5%	7,607.7	7,071.1	7.6%
Total Expenditure	3,477.0	3,125.8	11.2%	3,344.7	4.0%	6,602.8	6,262.8	5.4%
Consumption of Raw Material	2,708.5	2,423.4	11.8%	2,642.9	2.5%	5,131.9	4,836.5	6.1%
Staff Cost	364.8	341.2	6.9%	323.0	12.9%	706.0	666.5	5.9%
Other Expenditure	403.8	361.1	11.8%	378.8	6.6%	764.9	759.8	0.7%
EBITDA	558.1	446.9	24.9%	515.6	8.2%	1,005.0	808.3	24.3%
Depreciation & Amortisation	265.3	280.6	-5.5%	157.9	68.1%	546.0	316.3	72.6%
EBIT	292.7	166.2	76.1%	357.8	-18.2%	459.0	492.0	-6.7%
Finance Charges	81.4	76.4	6.5%	110.3	-26.2%	157.8	216.8	-27.2%
Other Income	14.3	4.5	219.7%	14.3	0.3%	18.8	23.9	-21.1%
PBT	225.7	94.3	139.3%	261.8	-13.8%	320.0	299.1	7.0%
Tax (including deferred)	75.2	29.1	158.3%	82.5	-8.9%	104.3	95.5	9.2%
PAT (before Minority Interest)	150.5	65.2	130.8%	179.2	-16.0%	215.7	203.6	6.0%
Share of (Profit)/ Loss to Minority	64.6	29.4	119.5%	53.0	22.0%	94.1	85.9	N.A
PAT	85.9	35.8	140.2%	126.2	-31.9%	121.7	117.6	3.4%

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

Key Ratios as a % of Total Revenue	Q2 FY15	Q1 FY15	Q2 FY14	H1 FY15	H1 FY14
EBIDTA	13.8%	12.5%	13.4%	13.2%	11.4%
PAT	2.1%	1.0%	3.3%	1.6%	1.7%
Total Expenditure	86.2%	87.5%	86.6%	86.8%	88.6%
Raw material	67.1%	67.8%	68.5%	67.5%	68.4%
Staff Cost	9.0%	9.6%	8.4%	9.3%	9.4%
Other Expenditure	10.0%	10.1%	9.8%	10.1%	10.7%

Standalone Unaudited Income Statement

Amount in ₹mn

Particulars	Q2 FY15	Q1 FY15	QoQ(%)	Q2 FY14	YoY(%)	H1 FY15	H1 FY14	YoY (%)
Net Income from Operations	2,676.9	2,574.4	4.0%	2,603.4	2.8%	5,251.2	4,899.3	7.2%
Other Operating Income	33.4	23.0	45.1%	16.9	97.3%	56.4	33.5	68.2%
Total Income	2,710.3	2,597.4	4.3%	2,620.3	3.4%	5,307.6	4,932.8	7.6%
Total Expenditure	2,417.6	2,311.1	4.6%	2,323.4	4.1%	4,728.7	4,500.6	5.1%
Consumption of Raw Material	1,820.9	1,757.4	3.6%	1,800.1	1.2%	3,578.2	3,393.7	5.4%
Staff Cost	301.1	277.9	8.3%	264.8	13.7%	579.0	554.4	4.4%
Other Expenditure	295.7	275.8	7.2%	258.5	14.4%	571.5	552.5	3.4%
EBITDA	292.7	286.3	2.2%	296.9	-1.4%	578.9	432.3	33.9%
Depreciation & Amortisation	202.2	219.3	-7.8%	116.7	73.2%	421.4	233.6	80.4%
EBIT	90.5	67.0	35.1%	180.2	-49.8%	157.5	198.7	-20.7%
Finance Charges	63.4	61.2	3.5%	90.1	-29.7%	124.6	177.2	-29.7%
Other Income	15.8	5.7	175.3%	15.6	0.9%	21.5	29.0	-26.0%
PBT	42.9	11.5	273.2%	105.7	-59.4%	54.4	50.4	7.8%
Tax (including deferred)	12.5	1.2	905.8%	29.1	-56.9%	13.8	8.7	59.0%
PAT	30.4	10.2	196.3%	76.6	-60.4%	40.6	41.8	-2.8%

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

Key Ratios as a % of Total Revenue	Q2 FY15	Q1 FY15	Q2 FY14	H1 FY15	H1 FY14
EBIDTA	10.8%	11.0%	11.3%	10.9%	8.8%
PAT	1.1%	0.4%	2.9%	0.8%	0.8%
Total Expenditure	89.2%	89.0%	88.7%	89.1%	91.2%
Raw material	67.2%	67.7%	68.7%	67.4%	68.8%
Staff Cost	11.1%	10.7%	10.1%	10.9%	11.2%
Other Expenditure	10.9%	10.6%	9.9%	10.8%	11.2%

Amount in ₹mn

Particulars	Standalone		Consolidated	
	30-Sep-14	31-Mar-14	30-Sep-14	31-Mar-14
Equity & Liabilities				
Total shareholders funds	2,640.1	2,664.4	3,135.1	3,089.0
Minority Interest			871.4	785.2
Long-term borrowings	1,452.2	1,610.6	1,727.7	1,695.7
Other long-term liabilities	352.7	440.4	491.1	589.6
Non-current liabilities	1,804.9	2,051.0	2,218.8	2,285.3
Short-term borrowings	490.2	482.3	511.9	653.8
Trade Payables	1,437.7	1,528.8	2,072.2	1,950.9
Other current liabilities	966.5	1,073.4	1,372.9	1,626.0
Current Liabilities	2,894.4	3,084.5	3,957.0	4,230.7
Total Equity + Liabilities	7,339.5	7,799.9	10,182.3	10,390.2
Assets				
Fixed assets	4,672.2	4,889.0	6,532.8	6,771.5
Goodwill on Consolidation				
Non-current Investments	354.8	346.3	14.1	9.8
Long-term loans and advances	59.8	84.6	74.4	103.4
Other non current assets	1.6	2.1	3.9	4.4
Total non-current Assets	5,088.5	5,322.0	6,625.1	6,889.1
Inventories	734.8	710.8	1,045.6	935.8
Trade receivables	1,174.1	1,390.9	1,881.2	2,081.8
Cash and bank balances	27.4	20.6	218.1	28.2
Short-term loans and advances	253.9	263.3	348.9	360.9
Other current assets	60.8	92.2	63.4	94.4
Total current Assets	2,251.0	2,477.9	3,557.1	3,501.1
Total Assets	7,339.5	7,799.9	10,182.3	10,390.2

About Us



India's largest steering systems manufacturer

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

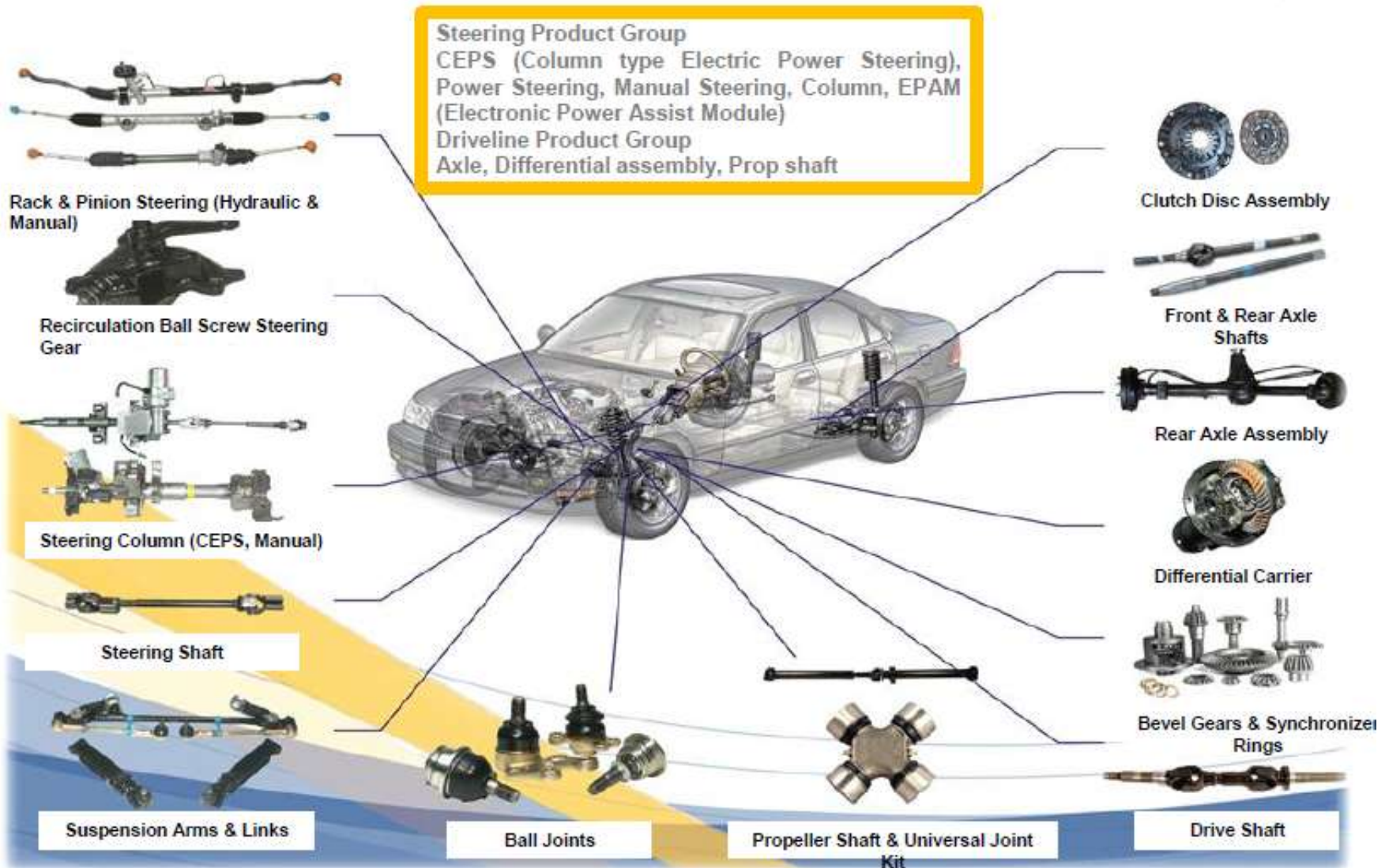
Resilient performance

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



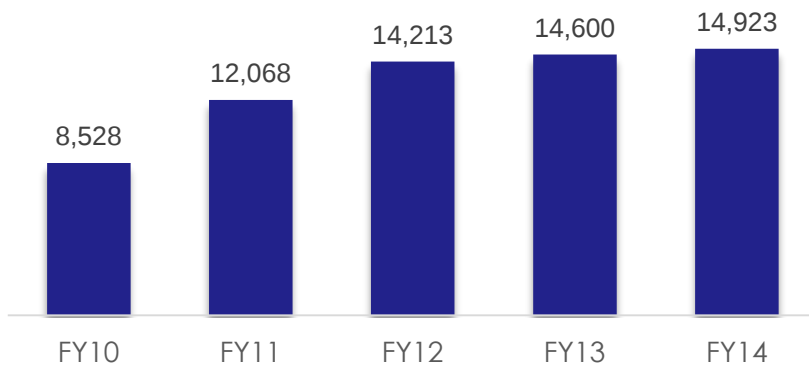
Global



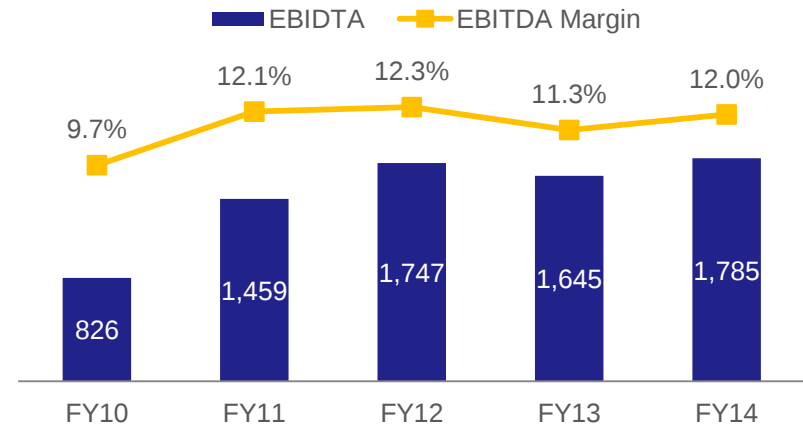
Delivering robust financial performance

Consolidated financials, Amount in ₹mn

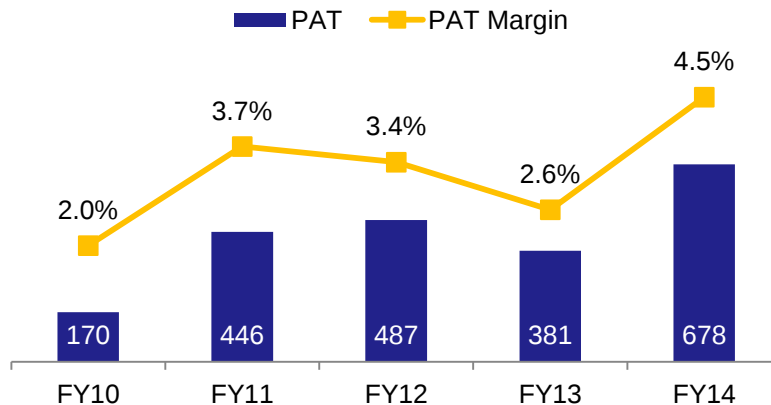
Revenue growing at 15% CAGR



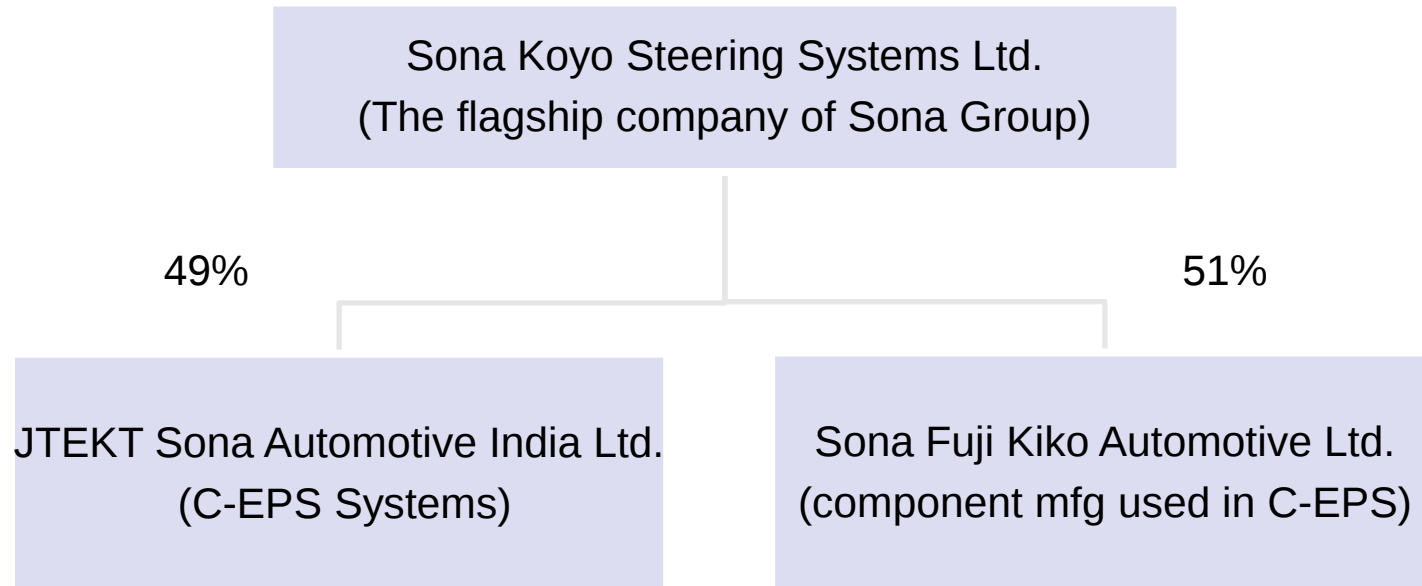
EBITDA expansion led to 21% CAGR



With PAT CAGR at 41%

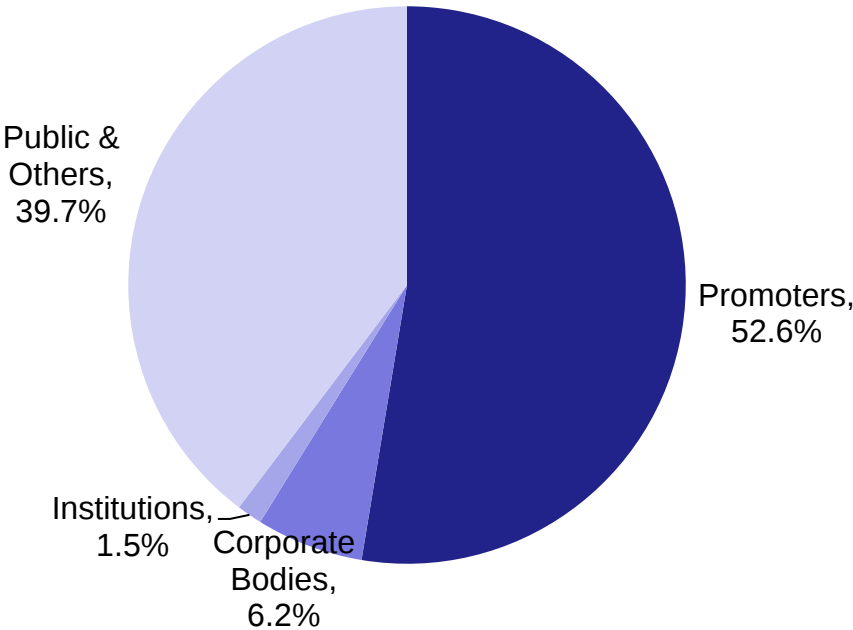


- Opening up of off-highway segment with in-house developed EPAM boosted export revenues hence robust revenue growth
- Raw material cost has come down owing to localisation and backward integration which led to expansion in EBITDA margin

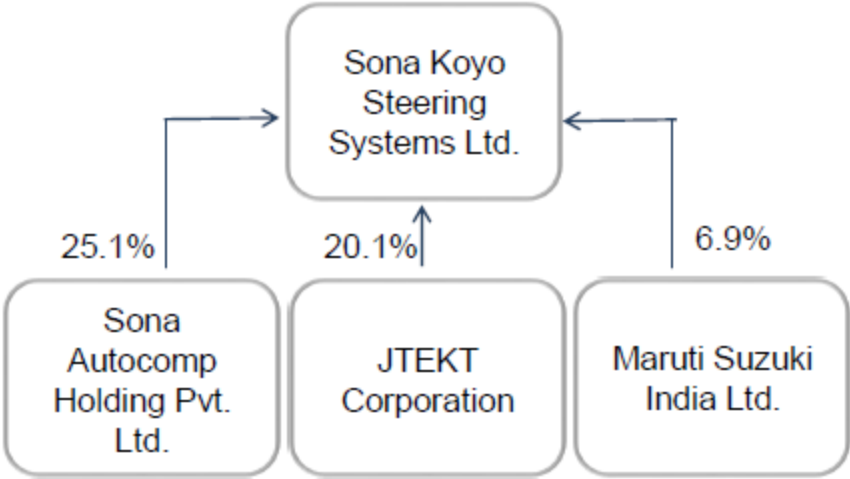


**Shareholding pattern
(As on 30th Sep, 2014)**

Equity Shares Outstanding-198,741,832



**Promoter and Promoter Group
Shares outstanding – 104,567,739**



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

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.