Investor Update – Q3 FY’14

Sona Koyo Steering Systems Ltd.

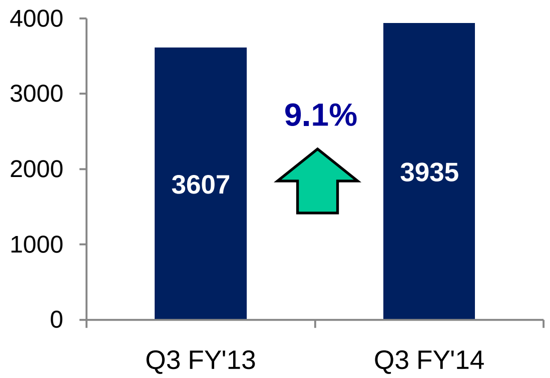
sona
Driving Tomorrow

February 12, 2014

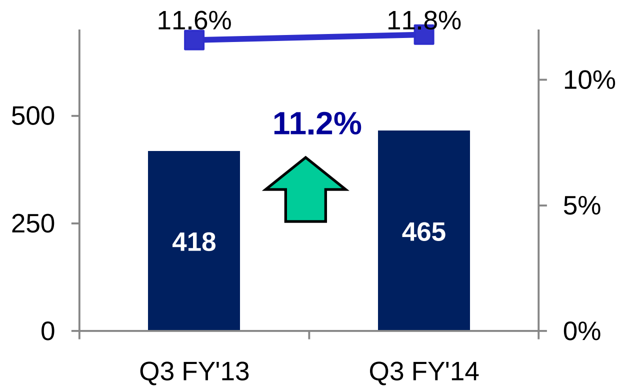
Q3'FY14 Consolidated: Robust growth in revenue and profits

All figures in Rs Mn

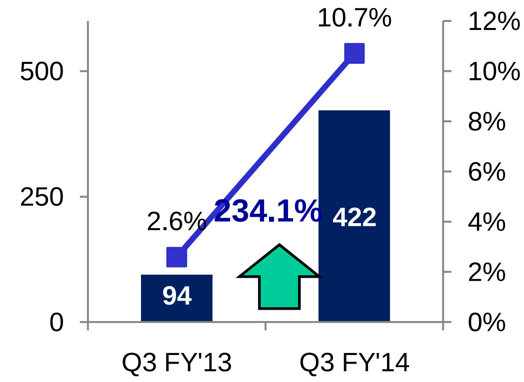
Revenue



EBITDA & EBITDA Margin



PAT & PAT Margin



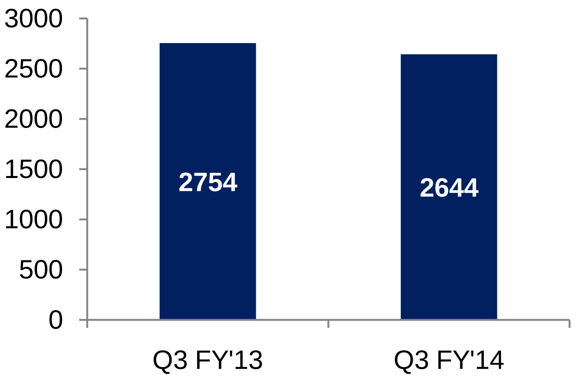
- **Total revenue up 9.1% YoY from ₹3,607.1 mn in Q3'FY13 to ₹3,935.4 mn in Q3'FY14**
- **EBITDA up 11.2% YoY to ₹464.7 mn with margin improvement at 11.8% in Q3'FY14 from 11.6% in Q3'FY13 due to**
  - ✓ Decline in staff costs as percentage of revenue from 8.5% to 8.3%
  - ✓ Decline in other expenses as percentage of revenue from 9.8% to 9.7%
- **PAT after minority interest increases to ₹421.7 mn in Q3'FY14 from ₹93.7 mn in Q3'FY13**
  - ✓ Interest cost declines by 12.2% YoY due to lower debt
  - ✓ Exceptional gain due to profit from sale of investment held in Fuji Autotech Europe S.A.S.

Refer Slide 12 for detailed P&L Statement

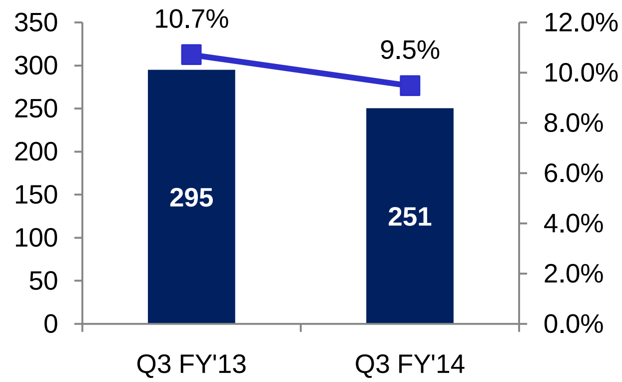
YoY standalone PAT quadruples due to sale of European Joint Venture

All figures in Rs Mn

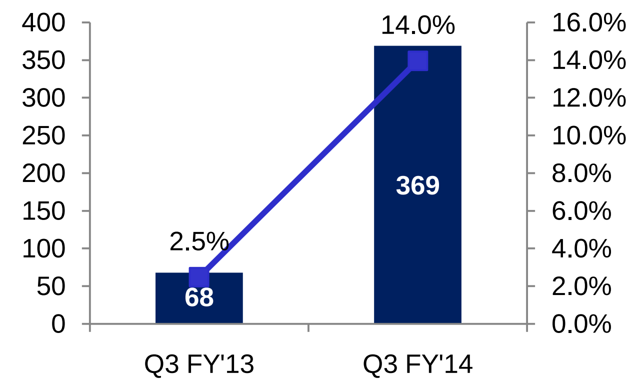
Revenue



EBITDA & EBITDA Margin



PAT & PAT Margin



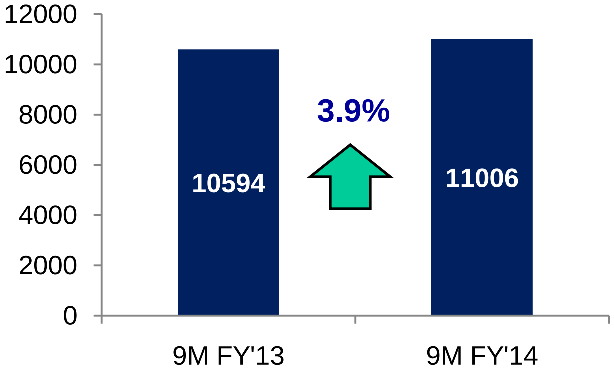
- **Total revenue declines marginally by 4.0% YoY to ₹2,644.2 mn in Q3'FY14 from ₹2,753.6 mn in Q3'FY13**
- **EBITDA margins decline marginally to 9.5% in Q3'FY 14 compared to 10.7% in Q3'FY 13 due to:**
  - ✓ Staff costs as percentage of revenue increases from 9.3% to 9.9%
  - ✓ Other expenses as percentage of revenue increases from 9.6% to 9.9%
- **Company posts net profit of ₹369.1 mn vs ₹68.1 mn in Q3'FY13 primarily on account of sale of investment held in Fuji Autotech Europe S.A.S.**

Refer Slide 13 for detailed P&L Statement

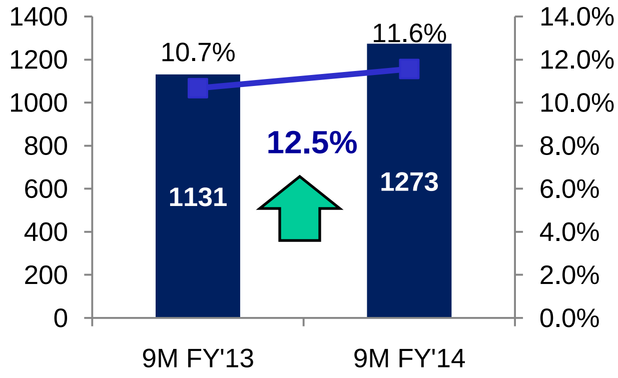
Consolidated 9M'FY14 EBITDA expands due to lower raw material cost

All figures in Rs Mn

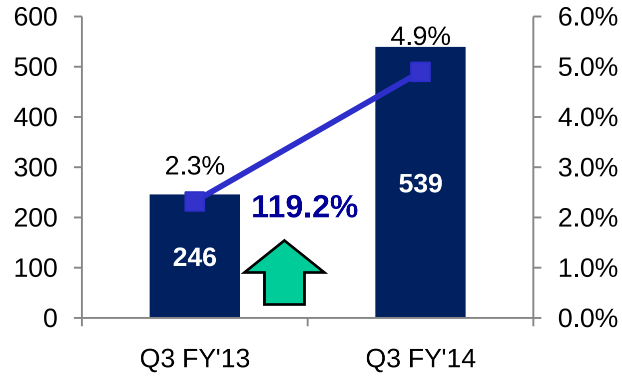
Revenue



EBITDA & EBITDA Margin



PAT & PAT Margin



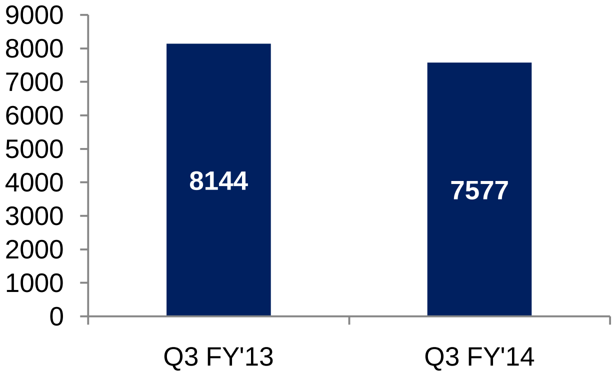
- **Strong growth in Q3'FY14 helps company post 3.9% YoY growth in 9M'FY14 revenue to reach ₹11,006.5 mn.**
- **EBITDA up 12.5% YoY to ₹1,273.0 mn with EBITDA margin improving to 11.6% from 10.7% in 9M'FY13. Strong improvement on account of**
  - ✓ Decline in raw material cost to 69.1% of revenue from 70.8% last year.
- **PAT for 9M'FY14 net of minority interest at ₹539.3 mn with PAT margin at 4.9% primarily on account of exceptional income arising out of sale of investment held in Fuji Autotech Europe S.A.S.**

Refer Slide 12 for detailed P&L Statement

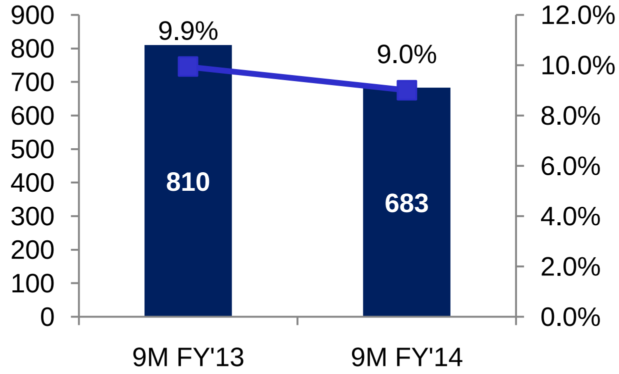
Standalone 9M'FY14 PAT increases to Rs 411 mn

All figures in Rs Mn

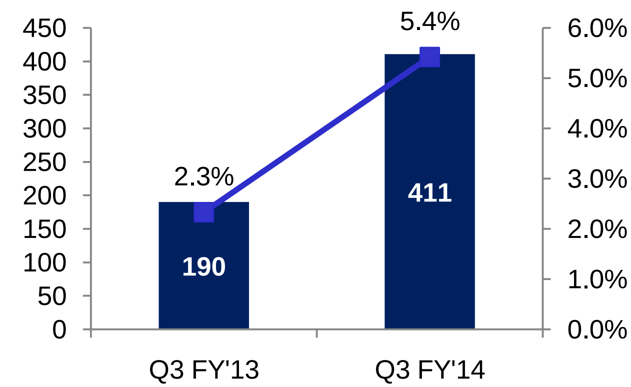
Revenue



EBITDA & EBITDA Margin



PAT & PAT Margin



- **Revenue on standalone basis for 9M'FY14 declines by 7.0% to ₹ 7,577.0 mn compared to ₹8,144.1 mn in 9M'FY13.**
- **EBITDA margin declines marginally to 9.0% compared to 9.9% last year. This is due to**
  - ✓ Increase in staff cost to 10.8% of revenue in 9M'FY14 from 9.3% last year
  - ✓ Increase in other expenses to 10.8% of revenue from 9.9% last year
- **PAT for the 9M'FY14 is at ₹411.0 mn with PAT margin at 5.4% due to sale of investment held in Fuji Autotech Europe S.A.S.**

Refer Slide 13 for detailed P&L Statement

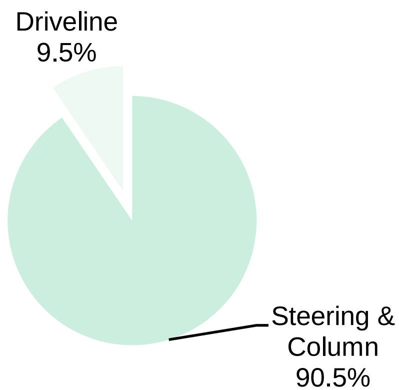
Sale of European J.V Fuji Autotech Europe S.A.S

- During the quarter, ₹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 quarter

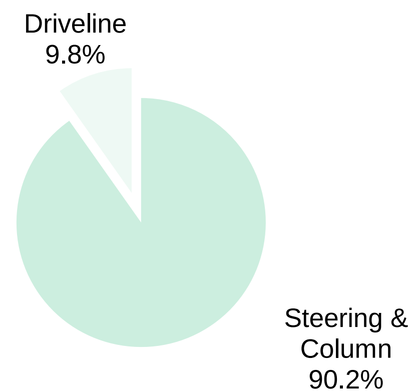
Increasing sales of EPAM boosting exports

Product Wise Sales Mix*

Q3 FY14



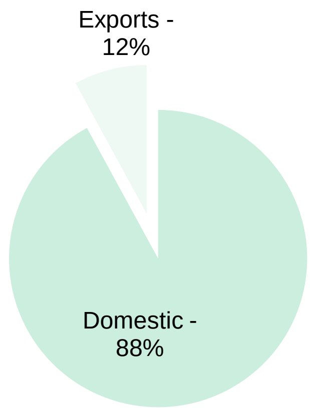
Q3 FY13



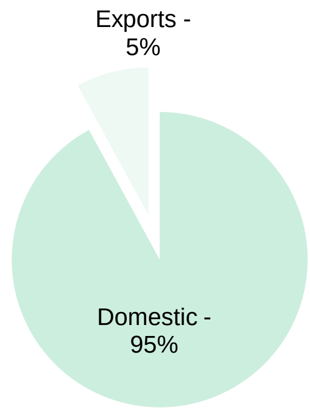
***Note: Break-up on gross basis, Steering & column product group includes EPAM sales**

Geographic Sales Mix

Q3 FY14



Q3 FY13



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

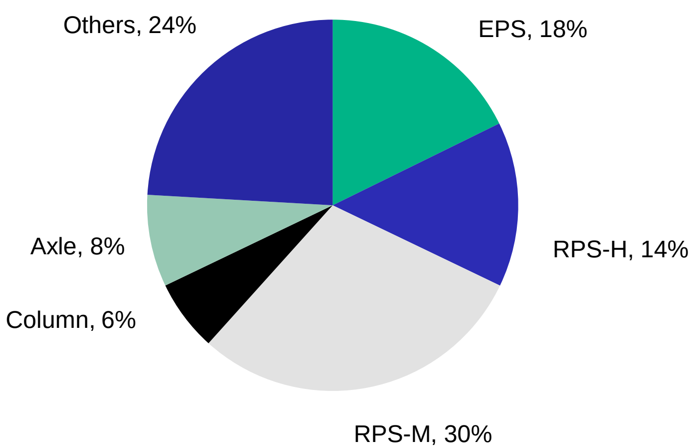
Aided by sustained utilization and diversification in Steering Products

Capacity utilization

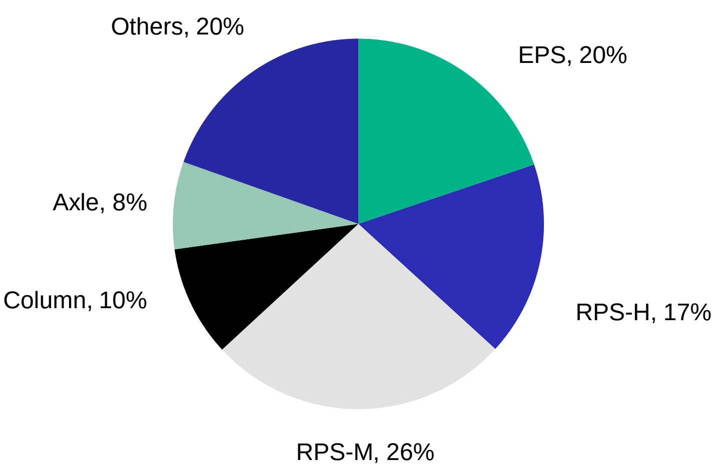
- Capacity Utilization across product categories during 9M FY14
  - ✓ Steering Products – 65% vs 62% in 9M FY13

Diversification in key steering & driveline products

Q3 FY14



Q3 FY13



- **EPAM contributes ₹77 mn in Q3 FY14 as against ₹41 mn in Q3FY13**

Income Statement & Key Ratios - Consolidated

Consolidated Unaudited Income Statement

Amount in ₹mn

Particulars	Q3 FY14	Q2 FY14	QoQ (%)	Q3 FY13	YoY (%)	9M FY14	9M FY13	YoY (%)
Net Income from Operations	3,915.8	3,839.2	2.0%	3,587.3	9.2%	10,945.8	10,539.5	3.9%
Other Operating Income	19.6	21.1	-7.3%	19.7	-0.9%	60.7	54.2	12.1%
Total Income	**3,935.4**	**3,860.3**	**1.9%**	**3,607.1**	**9.1%**	**11,006.5**	**10,593.6**	**3.9%**
Total Expenditure	3,470.7	3,344.7	3.8%	3,189.1	8.8%	9,733.5	9,462.5	2.9%
Consumption of Raw Material	2,765.3	2,642.9	4.6%	2,529.2	9.3%	7,601.8	7,499.6	1.4%
Staff Cost	325.5	323.0	0.8%	305.0	6.7%	992.0	902.3	9.9%
Other Expenditure	379.9	378.8	0.3%	354.9	7.1%	1,139.7	1,060.6	7.5%
EBITDA	**464.7**	**515.6**	**-9.9%**	**418.0**	**11.2%**	**1,273.0**	**1,131.1**	**12.5%**
Depreciation & Amortisation	159.5	157.9	1.0%	154.6	3.2%	475.7	429.8	10.7%
EBIT	**305.2**	**357.8**	**-14.7%**	**263.4**	**15.9%**	**797.3**	**701.4**	**13.7%**
Finance Charges	94.1	110.3	-14.7%	107.2	-12.2%	310.9	304.0	2.3%
Other Income	13.0	14.3	-9.2%	6.9	87.0%	36.8	71.6	-48.6%
PBT before exceptional items	**224.1**	**261.8**	**-14.4%**	**163.2**	**37.3%**	**523.2**	**469.0**	**11.6%**
Exceptional items (Gain)/Loss on Foreign Currency Loan Translation	(354.3)	-		-		(354.3)	-	
PBT	**578.4**	**261.8**	**121.0%**	**163.2**	254.4%	**877.5**	**469.0**	**87.1%**
Tax (including deferred)	106.7	82.5	29.3%	49.3	116.6%	202.2	152.4	32.7%
PAT (before Minority Interest)	**471.7**	**179.2**	**163.2%**	**114.0**	314.0%	**675.3**	**316.6**	**113.3%**
Share of (Profit)/ Loss to Minority	**50.1**	**53.0**	N.A.	**20.3**	146.9%	**136.0**	**70.6**	N.A
PAT	**421.7**	**126.2**	**234.1%**	**93.7**	**350.2%**	**539.3**	**246.0**	**119.2%**
EPS (Rs.)	2.12	0.64	234.1%	0.47	350.2%	2.71	1.24	119.2%

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

Key Ratios as a % of Total Revenue	Q3 FY14	Q2 FY14	Q3 FY13	9M FY14	9M FY13
EBIDTA	11.8%	13.4%	11.6%	11.6%	10.7%
PAT	10.7%	3.3%	2.6%	4.9%	2.3%
Total Expenditure	88.2%	86.6%	88.4%	88.4%	89.3%
Raw material	70.3%	68.5%	70.1%	69.1%	70.8%
Staff Cost	8.3%	8.4%	8.5%	9.0%	8.5%
Other Expenditure	9.7%	9.8%	9.8%	10.4%	10.0%

Income Statement & Key Ratios - Standalone

Standalone Unaudited Income Statement

Amount in ₹mn

Particulars	Q3 FY14	Q2 FY14	QoQ (%)	Q3 FY13	YoY (%)	9M FY14	9M FY13	YoY (%)
Net Income from Operations	2,629.7	2,603.4	1.0%	2,736.9	-3.9%	7,529.0	8,101.2	-7.1%
Other Operating Income	14.5	16.9	-14.4%	16.8	-13.6%	48.0	42.8	12.1%
Total Income	**2,644.2**	**2,620.3**	**0.9%**	**2,753.6**	**-4.0%**	**7,577.0**	**8,144.1**	**-7.0%**
Total Expenditure	2,393.6	2,323.4	3.0%	2,458.6	-2.6%	6,894.2	7,334.0	-6.0%
Consumption of Raw Material	1,868.5	1,800.1	3.8%	1,937.7	-3.6%	5,262.2	5,769.9	-8.8%
Staff Cost	262.4	264.8	-0.9%	255.9	2.5%	816.7	761.1	7.3%
Other Expenditure	262.7	258.5	1.6%	265.0	-0.9%	815.3	803.0	1.5%
EBITDA	**250.6**	**296.9**	**-15.6%**	**295.0**	**-15.1%**	**682.9**	**810.0**	**-15.7%**
Depreciation & Amortisation	118.4	116.7	1.4%	116.3	1.8%	352.0	314.7	11.8%
EBIT	**132.2**	**180.2**	**-26.6%**	**178.7**	**-26.0%**	**330.9**	**495.3**	**-33.2%**
Finance Charges	76.4	90.1	-15.2%	88.5	-13.7%	253.6	246.9	2.7%
Other Income	15.1	15.6	-3.2%	9.5	59.6%	44.1	29.7	48.5%
PBT before exceptional items	**71.0**	**105.7**	-32.9%	**99.7**	-28.8%	**121.4**	**278.2**	-56.3%
Exceptional items	(354.3)	-	N.A.	-	#DIV/0!	(354.3)	-	N.A
(Gain)/Loss on Foreign Currency Loan Translation			N.A.		#DIV/0!	-		N.A
PBT	**425.3**	**105.7**	**302.3%**	**99.7**	326.4%	**475.7**	**278.2**	**71.0%**
Tax (including deferred)	56.2	29.1	93.2%	31.6	77.7%	64.9	88.2	-26.5%
PAT (before Minority Interest)	**369.1**	**76.6**	**381.7%**	**68.1**	441.9%	**410.9**	**190.0**	**116.3%**

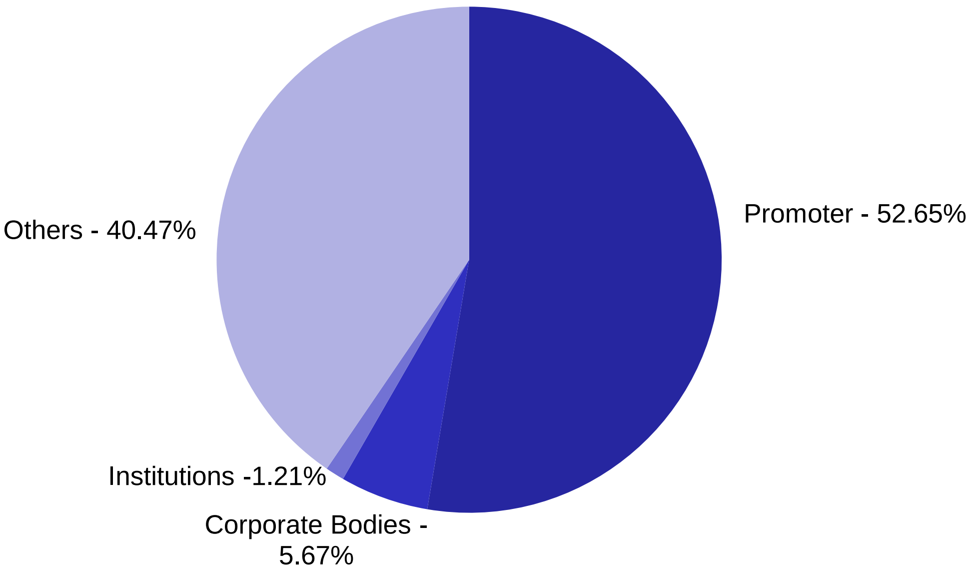
•*Other Expenditure includes manufacturing costs, administrative costs, selling costs and other expenses*

Key Ratios as a % of Total Revenue	Q3 FY14	Q2 FY14	Q3 FY13	9M FY14	9M FY13
EBIDTA	9.5%	11.3%	10.7%	9.0%	9.9%
PAT	14.0%	2.9%	2.5%	5.4%	2.3%
Total Expenditure	90.5%	88.7%	89.3%	91.0%	90.1%
Raw material	70.7%	68.7%	70.4%	69.4%	70.8%
Staff Cost	9.9%	10.1%	9.3%	10.8%	9.3%
Other Expenditure	9.9%	9.9%	9.6%	10.8%	9.9%

Shareholding Pattern

As on 31st December 2013

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.