

Setting the **World** in **Motion**

SONA KOYO STEERING SYSTEMS LTD.

INVESTOR UPDATE

October 28, 2005

QUARTER ENDED SEPTEMBER 2005



Strategies and Services for Stakeholder Success



Growth in sales in line with the industry has continued this quarter driven by increasing exports which grew 179% YoY. Also, I am delighted to report that commercial production has begun at the hydraulic power steering plant in Chennai.

*Dr Surinder Kapur
Chairman & MD*

Key Highlights

Financial Highlights

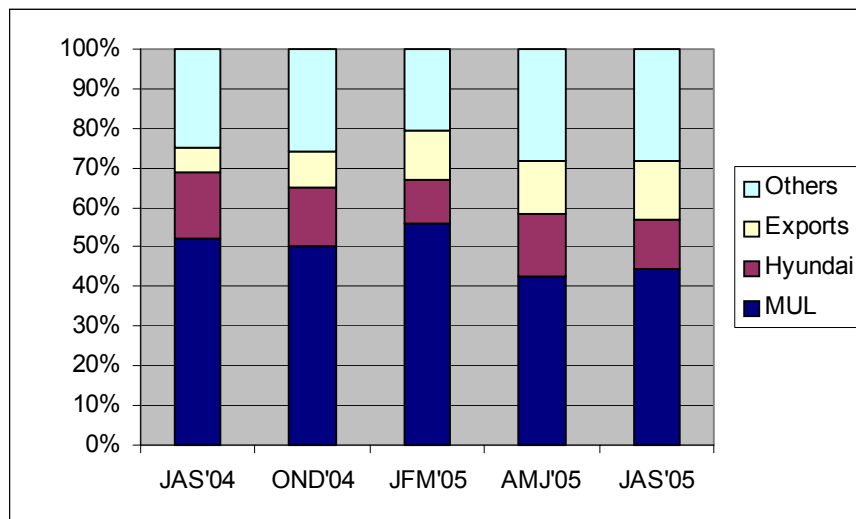
- **Net Income from Operations up 16.7% YoY** at Rs 836.2mn
 - ✓ Exports up 179% YoY at Rs 124.4mn
 - ✓ Revenue from M&M up 31.7% YoY at Rs 97.7mn
- **Operating Profits up 5.6% YoY** at Rs 90.7mn
- **Operating Profit Margin down to 10.8%** from 12.0% YoY due to:
 - ✓ Steep hike in petroleum product costs
 - ✓ New capital expenditures still in the process of stabilisation
- **Profit after Tax down 3.1% YoY** at Rs 37.7mn.
- **Net Profit Margin down to 4.5%** from 5.4% YoY due to:
 - ✓ Lower operating margins
 - ✓ Increased financial costs due to capital expenditure and investments

Operational Highlights

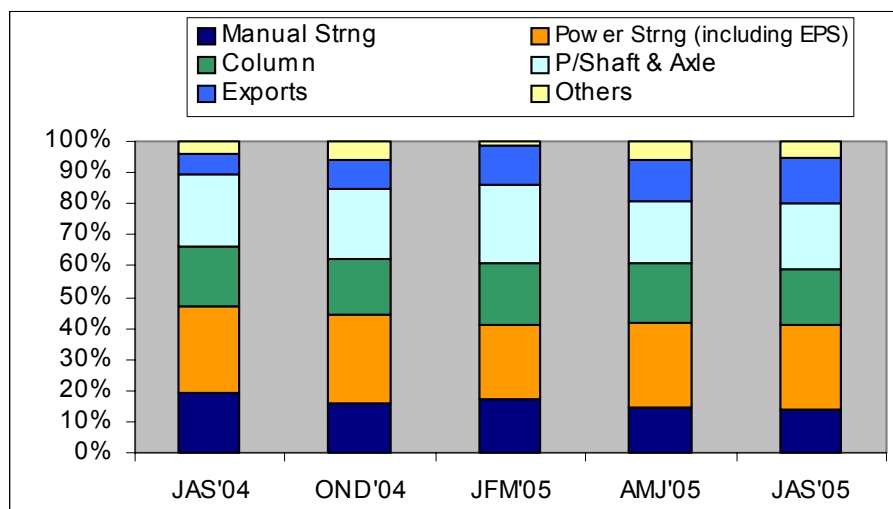
- **New hydraulic power steering plant installed in Chennai** during the quarter
- Company is well on the way to achieve its export target of Rs 500mn during the year
- Company is **finalizing the details for** expanding capacities at new site near Gurgaon.

Revenue Analysis

Key Customers



Key Products



Revenues further diversified with contribution from MUL down to 44.3% compared to 52.2% in Q2 FY'05

The company witnessed highest sales figures in July 2005

Exports comprised 14.8% of sales increasing from 13.6% last quarter

Financials - Quarterly

Profit and Loss Statement

Amount in Rs mn

Particulars	JAS'04	AMJ'05	JAS'05	% Chg QoQ	% Chg YoY
Net Income from Operations	716.3	769.09	836.2	8.7%	16.7%
Total Expenditure	630.4	697.0	745.5	7.0%	18.3%
(a) Consumption of Raw Material	502.6	539.1	566.9	5.2%	12.8%
(b) Increase/decrease in stock in trade	(10.8)	(10.8)	5.6	-151.9%	-151.9%
(c) Manufacturing cost	40.9	50.6	61.4	21.4%	50.1%
(d) Staff Cost	54.7	65.8	65.1	-1.1%	19.0%
(e) Other Expenditure	43.0	52.3	46.5	-11.1%	8.1%
OPBDIT	85.9	72.1	90.7	25.8%	5.6%
Depreciation & Amortization	26.7	28.9	29.9	3.5%	12.0%
OPBIT	59.2	43.2	60.8	40.7%	2.7%
Finance Charges	5.3	10.1	13.3	31.3%	150.9%
OPBT	53.9	33.1	47.5	43.6%	-11.9%
Other Income	3.9	9.7	7.4	-23.6%	89.7%
PBT	57.8	42.8	54.9	28.4%	-5.0%
Tax (including deferred)	18.9	14.9	17.2	15.4%	-9.0%
PAT	38.9	27.9	37.7	35.3%	-3.1%
EPS (Rs.)	0.88	0.64	0.86	34.4%	-2.3%

Key ratios %

Key Ratios	JAS'04	AMJ'05	JAS'05
OPBDIT/Net Income from Operations	12.0%	9.4%	10.8%
PAT/ Net Income from Operations	5.4%	3.6%	4.5%
Total Expenditure/Net Income from Operations	88.0%	90.6%	89.2%
Consumption of Raw material/Net Income from Operations	68.7%	68.7%	68.5%
Staff Cost/Net Income from Operations	7.6%	8.6%	7.8%

About Sona Koyo Steering Systems Ltd.

Sona Koyo Steering Systems Limited (SKSSL) is a technical and financial joint venture company of Koyo Seiko Company, Japan, the global technology leader in Steering Systems. With a Market share of 50%, SKSSL is the largest manufacturer of steering gears in India and is the leading supplier of Hydraulic 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

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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.

Investor Relations Contact:

Mr. Satyendra Shukla / Mr. Puneet Jain

Four-S Services Pvt. Ltd.

214, Udyog Vihar, Phase-I

Gurgaon – 122016

Email: Satyendra@four-s.com; Puneet@four-s.com

Tel. No. +91 124 5002127/1438, 9810027640