

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

**SONA KOYO STEERING SYSTEMS LTD.**

# **INVESTOR UPDATE**

**January 18, 2005**

QUARTER ENDED DECEMBER 2005



Strategies and Services for Stakeholder Success



*Our strategy to de-risk the business model by expanding in the overseas market is paying off well.*

*Net sales increased by 15 % in the first nine months compared to the domestic market growth of about 6 %.*

*Dr Surinder Kapur  
Chairman & MD*

## Key Highlights

### Financial Highlights (YOY)

- **Net Income from Operations up 4.9%** at Rs 817.7mn from Rs 779.6mn.
  - ✓ Exports up 69% YoY at Rs 121.4mn.
- **Operating Profits up 7.3%** at Rs 101.6mn from Rs 94.7mn.
- **Operating Profit Margin up to 12.4%** from 12.1%.
- **Profit after Tax down 15.8%** at Rs 35.3mn from Rs 41.9mn due to:
  - ✓ Increase in interest cost to Rs 16.2mn from Rs 6.6mn due to debt raised (Rs 120mn) to fund its ongoing expansion plans.
  - ✓ Loss of Rs 6.2mn on account of adverse foreign exchange movement.

### Financial Highlights (QoQ)

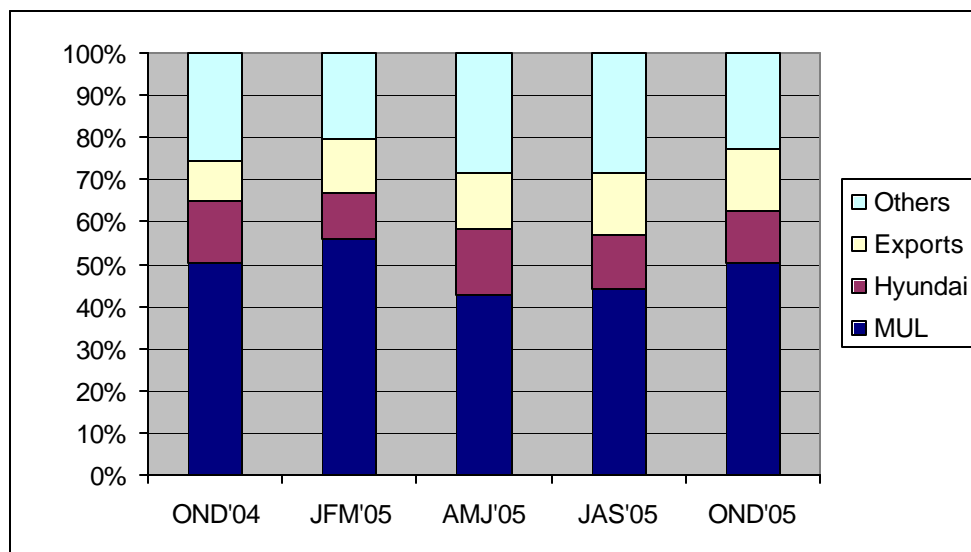
- **Net Income from Operations down 3.1%** from Rs 843.6mn to Rs 817.7mn due to maintenance shutdown of MUL plant for 5 days in December.
- **Operating Profits up 7.8%** from Rs 94.3mn to Rs 101.6mn.
- **Operating Profit Margin up to 12.4%** from 11.2%.
- **Profit after Tax down 6.4%** at Rs 35.3mn from Rs 37.7mn due to:
  - ✓ Increase in interest cost to Rs 16.2mn from Rs 13.3mn with upward LIBOR rate movement.

### Operational Highlights

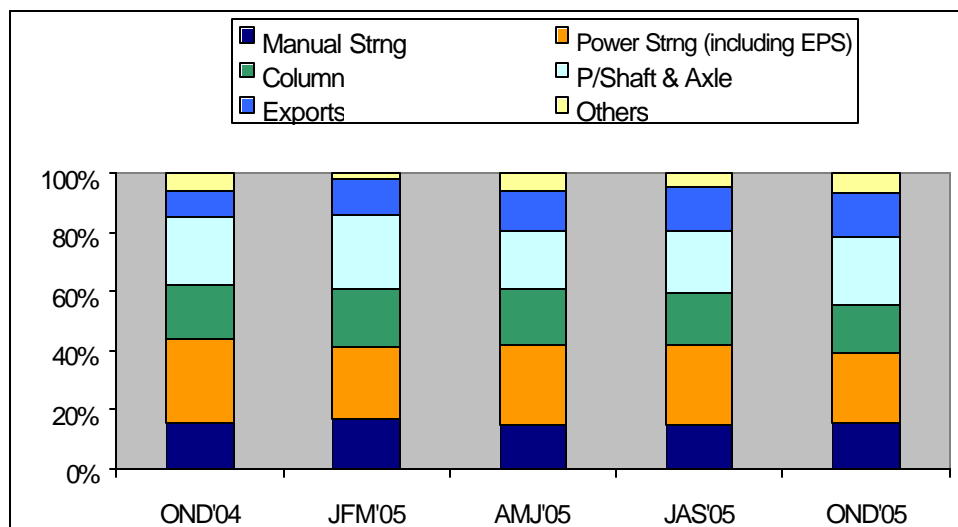
- Land acquisition complete in Dharuhera, Haryana for setting up its CEPS and PV assembly units.
- EPS for Alto and WagonR cleared for supply from February, 2006.
- New generator based on furnace oil commissioned to save fuel cost

## Revenue Analysis

### Key Customers



### Key Products



*Contribution from MUL reduced slightly to 50.2% of revenues as compared to 50.4% in Q3 FY'05*

*Exports comprised 14.9% of sales increasing from 9.3% in Q3 FY'04*

## Financials - Quarterly

### Profit and Loss Statement

Amount in Rs mn

Particulars	OND'04	JAS'05	OND'05	% Chg QoQ	% Chg YoY
<b>Net Income from Operations*</b>	<b>779.6</b>	<b>843.6</b>	<b>817.7</b>	<b>-3.1%</b>	<b>4.9%</b>
<b>Total Expenditure</b>	<b>684.9</b>	<b>749.3</b>	<b>716.1</b>	<b>-4.4%</b>	<b>4.6%</b>
(a) Consumption of Raw Material	554.1	566.9	568.0	0.2%	2.5%
(b) Increase/decrease in stock in trade	(18.9)	5.6	(8.1)	N/A	N/A
(c) Staff Cost	57.6	65.1	67.2	3.2%	16.7%
(d) Other Expenditure**	92.1	111.8	89.0	-20.4%	-3.4%
<b>OPBDIT</b>	<b>94.7</b>	<b>94.3</b>	<b>101.6</b>	<b>7.8%</b>	<b>7.3%</b>
Depreciation	24.0	26.0	26.7	2.7%	11.3%
<b>OPBIT</b>	<b>70.7</b>	<b>68.3</b>	<b>74.9</b>	<b>9.7%</b>	<b>5.9%</b>
Finance Charges	6.6	13.3	22.4	68.0%	239.4%
<b>OPBT</b>	<b>64.1</b>	<b>54.9</b>	<b>52.5</b>	<b>-4.4%</b>	<b>-18.1%</b>
Tax (including deferred)	22.2	17.2	17.2	0.0%	-22.5%
<b>PAT</b>	<b>41.9</b>	<b>37.7</b>	<b>35.3</b>	<b>-6.4%</b>	<b>-15.8%</b>
EPS (Rs.)	<b>0.95</b>	<b>0.86</b>	<b>0.80</b>	<b>-7.0%</b>	<b>-15.8%</b>

\* Net Income from operations includes other operational income

\*\* Amortization for the quarter (Rs 4.5mn) has been included in other expenditure

### Key ratios %

Key Ratios	OND'04	JAS'05	OND'05
OPBDIT/Net Income from Operations	12.1%	11.2%	12.4%
PAT/ Net Income from Operations	5.4%	4.5%	4.3%
Total Expenditure/Net Income from Operations	87.9%	88.8%	87.6%
Consumption of Raw material/Net Income from Operations	68.7%	67.9%	68.5%
Staff Cost/Net Income from Operations	7.4%	7.7%	8.2%

**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](http://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.*

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