

5th November, 2015

National Stock Exchange of India Ltd.
Exchange Plaza, C-1, Block G
Bandra – Kurla Complex, Bandra (E)
Mumbai 400 051.

Re : Symbol – SONASTEER; Series – EQ.

Dear Sir,

Please find enclosed herewith the Investor Update for the quarter ended 30th September, 2015.

The same is for your information and record.

Thanking you,

Yours faithfully,
For **SONA KOYO STEERING SYSTEMS LTD.**



SUDHIR CHOPRA
PRESIDENT & COMPANY SECRETARY

SONA KOYO STEERING SYSTEMS LTD.

Regd. Office : UGF-6, Indra Prakash 21 Barakhamba Road New Delhi-110 001 India
Tel : +91 11 2331 1924 / 2332 7205,
CIN : L29113DL1984PLC018415, **Website :** www.sonakoyosteering.com

Works: 38/6 Delhi-Jaipur Road, NH-8, Gurgaon-122 001 Haryana India
Tel : +91 124 468 5000, **Fax:** +91 124 410 4611 / 410 4621



Deming Application Prize- 2003



Investor Update – Q2FY16

Sona Koyo Steering Systems Ltd.



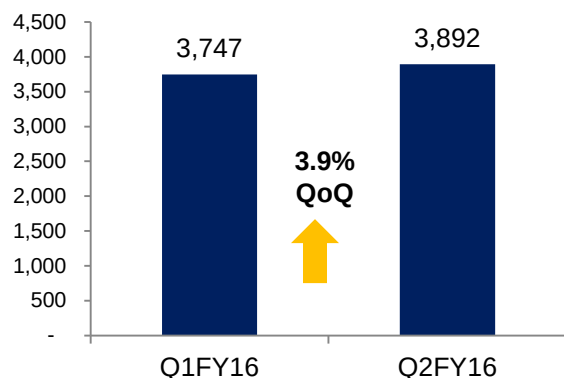
November 06, 2015

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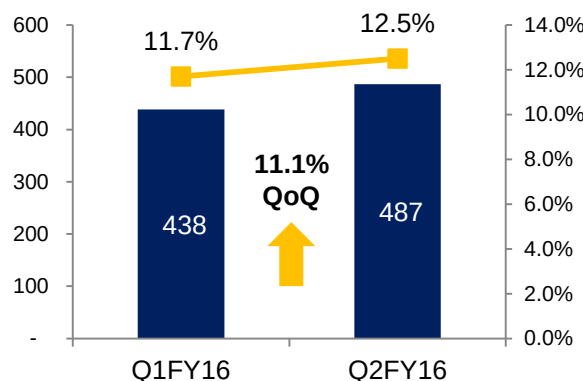
Q2FY16 Consolidated (QoQ): Margins improved significantly

All figures in Rs Mn

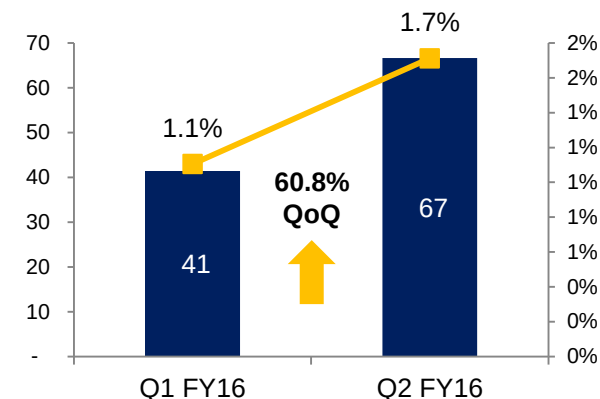
Revenue



EBITDA & EBITDA Margin



PAT & PAT Margin

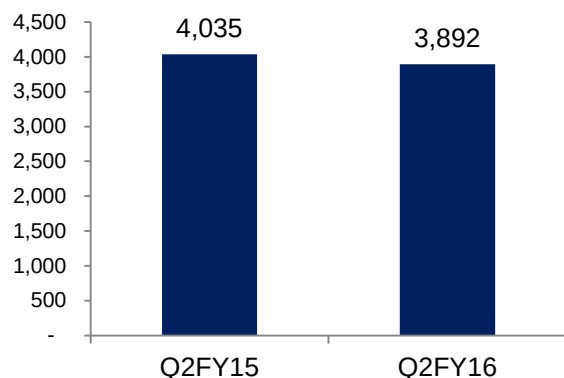


- Total revenue up 3.9% YoY to Rs 3,892mn in Q2FY16 compared to Rs 3,747mn in Q1FY16
- EBITDA up 11.1% to 487mn in Q2FY16 as compared to Rs 438mn in Q1FY16. EBITDA margin expands to 12.5%
 - ✓ Staff cost as a percentage of revenues declined from 10.8% in Q1FY16 to 10.2% in Q2FY16 and raw material as a percentage of revenues declined from 67.0% in Q1FY16 to 66.3% in Q2FY16
- PAT after minority interest and share of loss of associate up 60.8% to Rs 67mn in Q2FY16 compared to Rs 41mn in Q1FY16

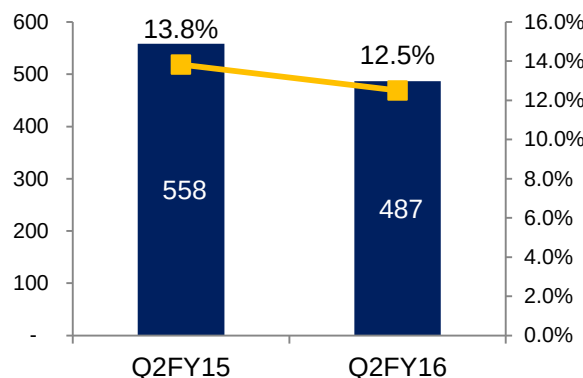
Q2FY16 Consolidated (YoY): Moderate decline in revenues

All figures in Rs Mn

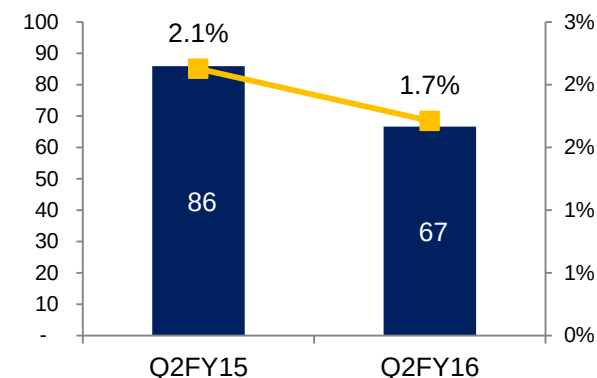
Revenue



EBITDA & EBITDA Margin



PAT & PAT Margin



■ Total revenue in Q2FY16 at Rs 3,892mn compared to Rs 4,035mn in Q2FY15

- ✓ Subdued performance from clients such as Mahindra & Mahindra and Tata Motors

■ EBITDA down 12.8% YoY to reach Rs 487mn with margin down from 13.8% to 12.5% in Q2FY16

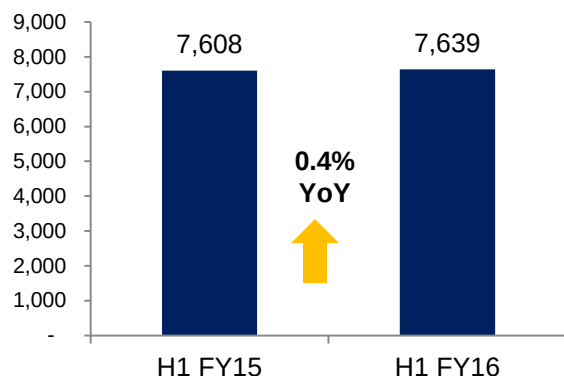
- ✓ Margin impacted by increase in staff cost which was partially offset by decrease in cost of raw material
- ✓ Staff cost increased by 9.1% YoY to Rs 398mn in Q2FY16 compared with Rs 365mn in Q2FY15 and raw material declined by 4.7% in Q2FY16 to Rs 2,581 compared to Rs 2,708mn in Q2FY15

■ PAT after minority interest and share of loss of associate decreased 22.4% YoY to Rs 67mn with margin of 1.7%

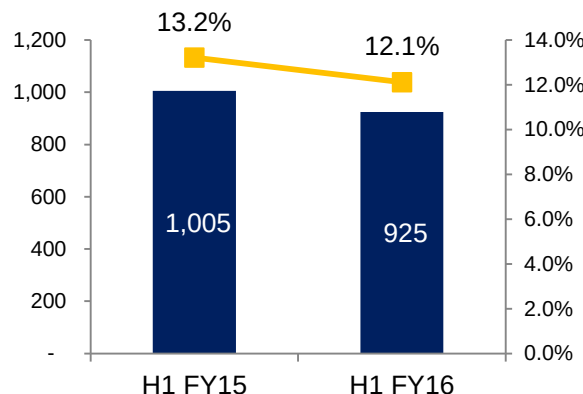
Consolidated H1 FY16: Margins impacted by rise in staff cost

All figures in Rs Mn

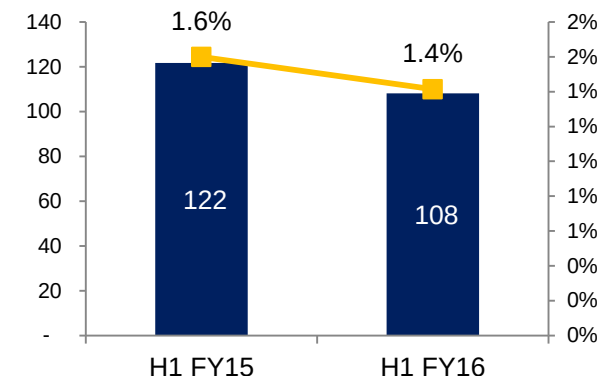
Revenue



EBITDA & EBITDA Margin

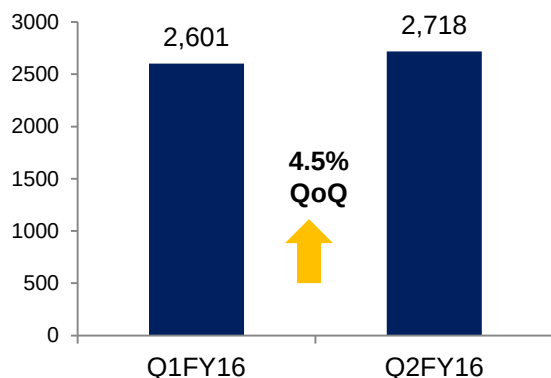


PAT & PAT Margin

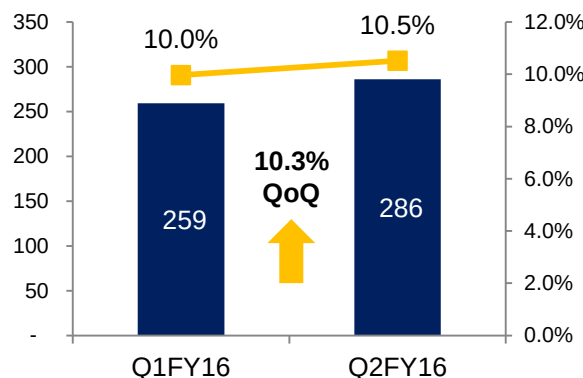


- Total revenue in H1 FY16 was flat at Rs 7,639mn compared to Rs 7,608mn in H1 FY15
- EBITDA at Rs 925mn in H1 FY16 as compared to Rs 1,006mn in H1 FY15. EBITDA margin contracts to 12.1%
 - ✓ Impacted primarily due to increase in staff costs as a percentage of revenues from 9.3% in H1 FY15 to 10.5% in H1 FY16 and increase in other expenses as a percentage of revenues from 10.1% in H1 FY15 to 10.7% in H1 FY16
- PAT after minority interest and share of loss of associate Rs 108mn in H1 FY16 compared to Rs 122mn in H1 FY15 mainly due to decline in EBITDA

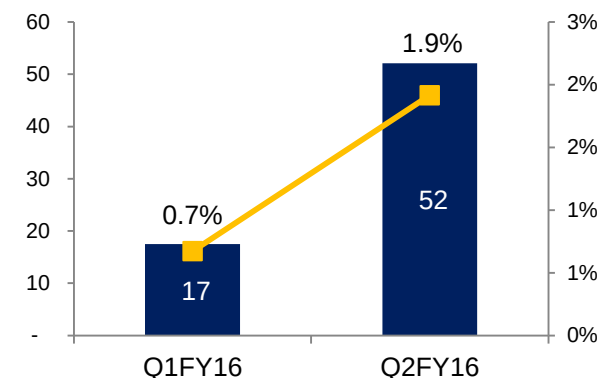
Revenue



EBITDA & EBITDA Margin



PAT & PAT Margin



■ Total revenue up 4.5% QoQ to Rs 2,718mn in Q2FY16 compared to Rs 2,601mn in Q1FY16

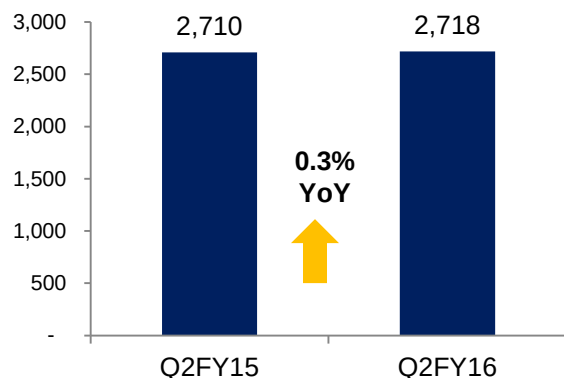
■ EBITDA up 10.3% at Rs 286mn in Q2FY16 as compared to Rs 259mn in Q1FY16. EBITDA margin expands to 10.5%

- ✓ Driven by growth in revenues and lower raw material and staff cost as percentage of revenue
- ✓ Decrease in staff costs as percentage of revenues from 12.2% in Q1FY16 to 11.5% in Q2FY16 and decrease in raw material cost from 66.7% in Q1FY16 to 66.2% in Q2FY16

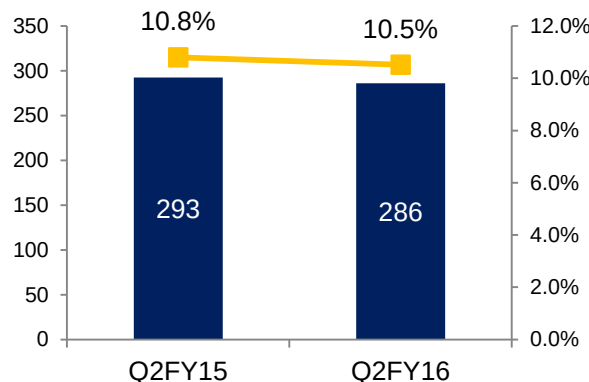
■ PAT at Rs 52mn compared to Rs 17mn in previous quarter mainly due to improved EBITDA and higher other income

- ✓ Other income increased from Rs 9mn in Q1FY16 to Rs 34mn in Q2FY16

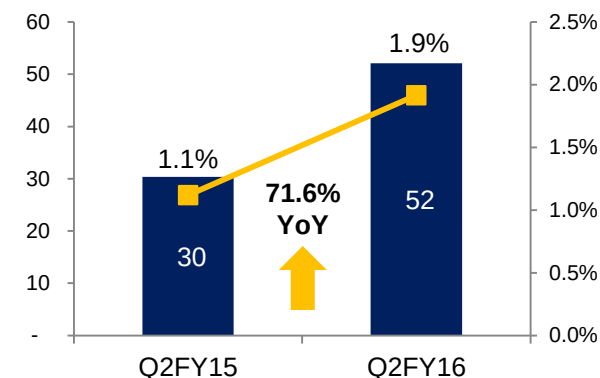
Revenue



EBITDA & EBITDA Margin



PAT & PAT Margin



■ Total revenue in Q2FY16 at Rs 2,718mn compared to Rs 2,710mn in Q2FY15

■ EBITDA in Q2FY16 was down moderately by 2.3% to Rs 286mn compared to Rs 293 mn, with margin at 10.5% in Q2FY16 compared to 10.8% in Q2FY15

- ✓ Impacted primarily due to increase in staff costs as a percentage of revenues from 11.1% in Q2FY15 to 11.5% in Q2FY16 and increase in other expenses as a percentage of revenues from 10.9% in Q2FY15 to 11.8% in Q2FY16

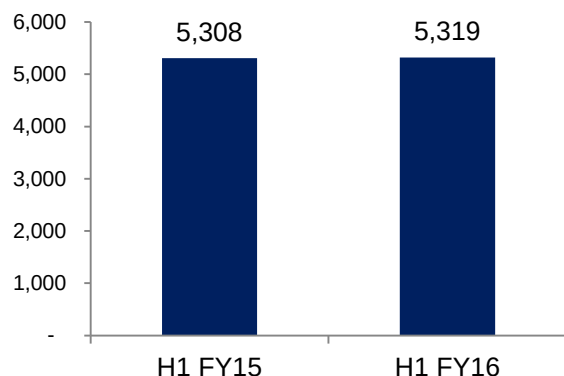
■ PAT in Q2FY16 up 71.6% at Rs 52mn compared to Rs 30mn in Q2FY15

- ✓ Decrease in depreciation and amortisation expense from Rs 202mn in Q2FY15 to Rs 182mn in Q2FY16
- ✓ Other income increased from Rs 16mn in Q2FY15 to Rs 34mn in Q2FY16

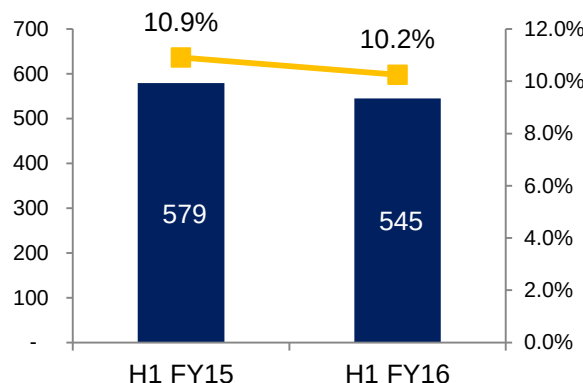
Standalone H1 FY16: Significant expansion in PAT

All figures in Rs Mn

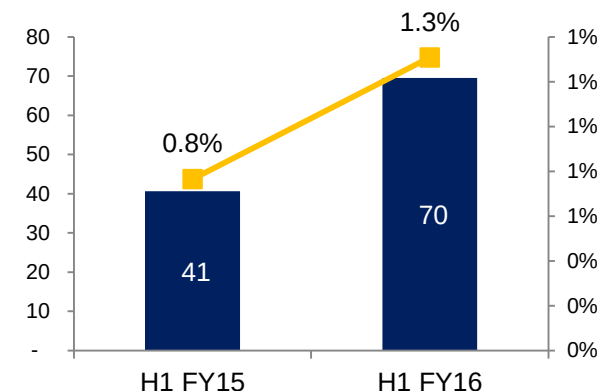
Revenue



EBITDA & EBITDA Margin



PAT & PAT Margin



■ Total revenue in H1 FY16 at Rs 5,319mn compared to Rs 5,308mn in H1 FY15

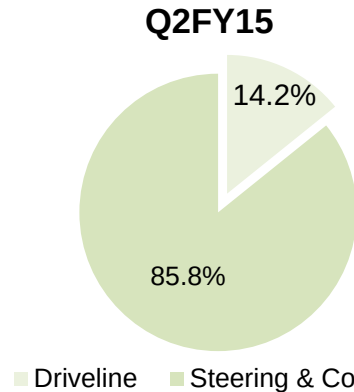
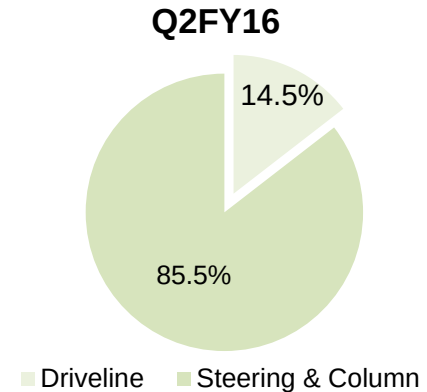
■ EBITDA at Rs 545mn in H1 FY16 as compared to Rs 579mn in H1 FY15. EBITDA margin contracts to 10.2%

- ✓ Impacted primarily due to increase in staff costs as a percentage of revenues from 10.9% in H1 FY15 to 11.8% in H1 FY16 and increase in other expenses as a percentage of revenues from 10.8% in H1FY15 to 11.5% in H1 FY16

■ PAT at Rs 70mn in H1 FY16, up 71.4% compared to Rs 41mn in H1 FY15

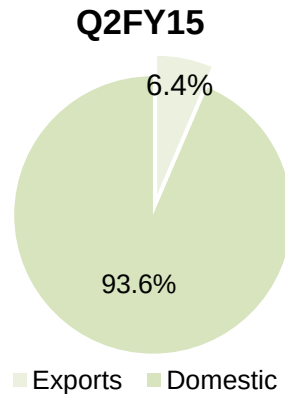
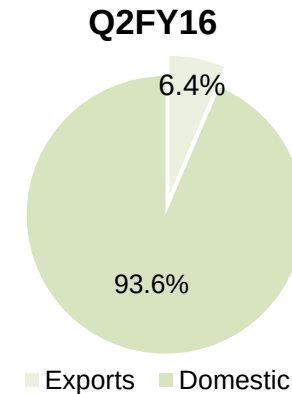
- ✓ Decrease in depreciation and amortisation expense from Rs 421mn in H1 FY15 to Rs 362mn in H1 FY16
- ✓ Other income increased from Rs 21mn in H1 FY15 to Rs 43mn in H1 FY16

Product Wise Sales Mix*



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

Geographic Sales Mix



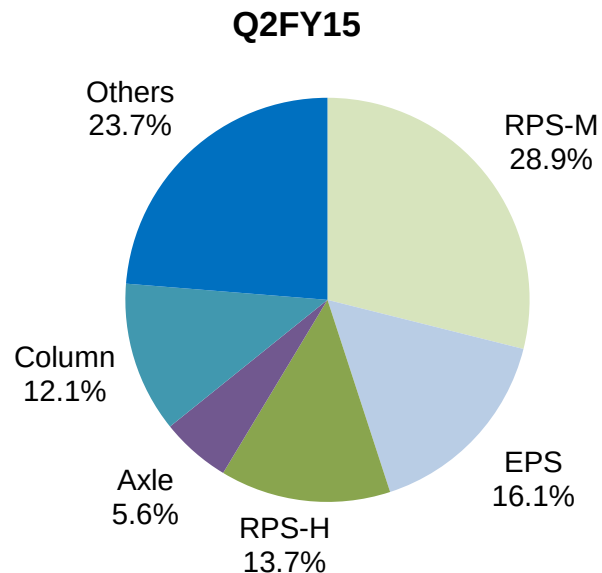
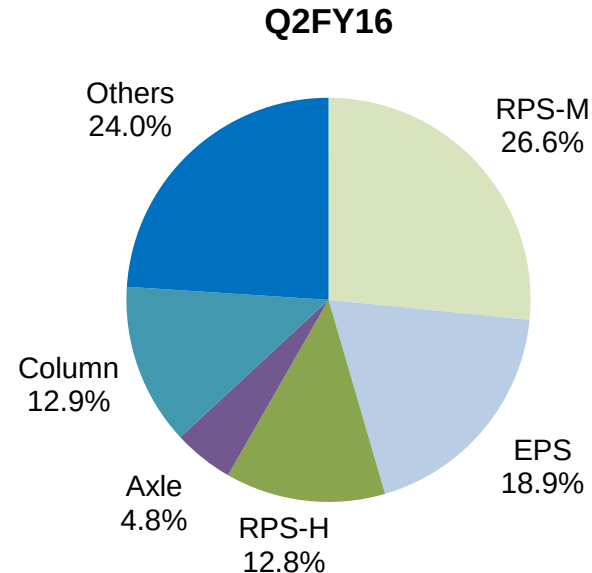
***Note: Break up on standalone basis**

Capacity utilization

■ Capacity Utilization across product categories during YTD FY16

- ✓ Steering Products – **55% YTD Sep' 2015**
- ✓ Column Products – **65% YTD Sep' 2015**
- ✓ Driveline Products – **32% YTD Sep' 2015**

Key steering & driveline products revenue break-up



Note: Break up on standalone basis

Consolidated Unaudited Income Statement

Amount in Rs mn

Particulars	Q2 FY16	Q1 FY16	QoQ (%)	Q2 FY15	YoY (%)	H1 FY16	H1 FY15	YoY (%)
Net Income from Operations	3,871.8	3,723.6	4.0%	3,999.7	(3.2%)	7,595.4	7,547.7	0.6%
Other Operating Income	20.0	23.2	(13.8%)	35.4	(43.6%)	43.1	60.1	(28.2%)
Total Income	3,891.8	3,746.7	3.9%	4,035.1	(3.6%)	7,638.5	7,607.7	0.4%
Total Expenditure	3,405.1	3,308.5	2.9%	3,477.0	(2.1%)	6,713.7	6,602.8	1.7%
Consumption of Raw Material	2,580.8	2,510.5	2.8%	2,708.5	(4.7%)	5,091.3	5,131.9	(0.8%)
Staff Cost	398	405	(1.8%)	365	9.1%	803.4	706.0	13.8%
Other Expenditure	426.3	392.6	8.6%	403.8	5.6%	818.9	764.9	7.1%
EBITDA	486.7	438.2	11.1%	558.1	(12.8%)	924.9	1,005.0	(8.0%)
Depreciation & Amortisation	249.8	245.1	1.9%	265.3	(5.9%)	494.9	546.0	(9.4%)
EBIT	236.9	193.0	22.7%	292.7	(19.1%)	430.0	459.0	(6.3%)
Finance Charges	77.8	74.0	5.1%	81.4	(4.5%)	151.8	157.8	(3.8%)
Other Income	13.9	12.9	7.5%	14.3	(3.1%)	26.8	18.8	42.5%
PBT	173.0	131.9	31.2%	225.7	(23.3%)	305.0	320.0	(4.7%)
Tax (including deferred)	62.2	48.8	27.5%	75.2	(17.3%)	111.0	104.3	6.4%
PAT (before Minority Interest)	110.9	83.2	33.3%	150.5	(26.4%)	194.0	215.7	-10.1%
Share of (Profit)/ Loss to Minority	44.2	41.7	5.9%	64.6	(31.6%)	86.0	94.1	(8.6%)
PAT	66.6	41.4	60.8%	85.9	(22.4%)	108.1	121.7	(11.2%)

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

Key Ratios as a % of Total Revenue	Q2 FY16	Q1 FY16	Q2 FY15	H1 FY16	H1 FY15
EBITDA	12.5%	11.7%	13.8%	12.1%	13.2%
PAT	1.7%	1.1%	2.1%	1.4%	1.6%
Total Expenditure	87.5%	88.3%	86.2%	87.9%	86.8%
Raw material	66.3%	67.0%	67.1%	66.7%	67.5%
Staff Cost	10.2%	10.8%	9.0%	10.5%	9.3%
Other Expenditure	11.0%	10.5%	10.0%	10.7%	10.1%

Standalone Unaudited Income Statement

Amount in Rs mn

Particulars	Q2 FY16	Q1 FY16	QoQ(%)	Q2 FY15	YoY(%)	H1 FY16	H1 FY15	YoY (%)
Net Income from Operations	2,700.0	2,579.7	4.7%	2,676.9	0.9%	5,279.8	5,251.2	0.5%
Other Operating Income	17.9	21.4	(16.6%)	33.4	(46.4%)	39.3	56.4	(30.3%)
Total Income	2,717.9	2,601.2	4.5%	2,710.3	0.3%	5,319.1	5,307.6	0.2%
Total Expenditure	2,431.9	2,341.9	3.8%	2,417.6	0.6%	4,773.9	4,728.7	1.0%
Consumption of Raw Material	1,799.3	1,734.4	3.7%	1,820.9	(1.2%)	3,533.7	3,578.2	(1.2%)
Staff Cost	311.8	316.9	(1.6%)	301.1	3.6%	628.7	579.0	8.6%
Other Expenditure	320.8	290.6	10.4%	295.7	8.5%	611.4	571.5	7.0%
EBITDA	286.0	259.2	10.3%	292.7	(2.3%)	545.2	578.9	(5.8%)
Depreciation & Amortisation	182.0	180.0	1.1%	202.2	(10.0%)	362.0	421.4	(14.1%)
EBIT	103.9	79.2	31.2%	90.5	14.9%	183.2	157.5	16.3%
Finance Charges	69.4	64.4	7.8%	63.4	9.6%	133.9	124.6	7.4%
Other Income	34.0	8.9	280.9%	15.8	115.6%	42.9	21.5	99.7%
PBT	68.5	23.7	188.8%	42.9	59.7%	92.2	54.4	69.6%
Tax (including deferred)	16.4	6.2	163.5%	12.5	30.9%	22.6	13.8	64.3%
PAT	52.1	17.5	197.9%	30.4	71.6%	69.6	40.6	71.4%

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

Key Ratios as a % of Total Revenue	Q2 FY16	Q1 FY16	Q2 FY15	H1 FY16	H1 FY15
EBITDA	10.5%	10.0%	10.8%	10.2%	10.9%
PAT	1.9%	0.7%	1.1%	1.3%	0.8%
Total Expenditure	89.5%	90.0%	89.2%	89.8%	89.1%
Raw material	66.2%	66.7%	67.2%	66.4%	67.4%
Staff Cost	11.5%	12.2%	11.1%	11.8%	10.9%
Other Expenditure	11.8%	11.2%	10.9%	11.5%	10.8%

Amount in Rs mn

Particulars	Standalone		Consolidated	
	30-Sep-15	31-Mar-15	30-Sep-15	31-Mar-15
Equity & Liabilities				
Total shareholders funds	2,691.1	2,621.5	3,337.8	3,234.2
Minority Interest			1,039.4	986.0
Long-term borrowings	1,409.5	1,453.6	1,576.8	1,674.7
Other long-term liabilities	306.0	343.9	437.1	485.6
Non-current liabilities	1,715.5	1,797.6	2,013.9	2,160.3
Short-term borrowings	609.9	388.4	656.1	423.6
Trade Payables	1,185.2	1,431.0	1,679.2	1,925.5
Other current liabilities	1,155.0	1,127.7	1,425.9	1,401.3
Current Liabilities	2,950.1	2,947.2	3,761.2	3,750.4
Total Equity + Liabilities	7,356.7	7,366.3	10,152.3	10,130.9
Assets				
Fixed assets	4,715.4	4,678.3	6,457.0	6,473.4
Non-current Investments	354.8	354.8	11.3	11.8
Long-term loans and advances	87.3	65.2	98.2	71.9
Other non current assets	1.7	1.6	4.4	4.0
Total non-current Assets	5,159.2	5,099.9	6,570.9	6,561.1
Inventories	724.0	716.2	1,015.5	1,004.0
Trade receivables	1,185.8	1,166.5	1,850.5	1,891.9
Cash and bank balances	24.6	23.5	345.3	179.8
Short-term loans and advances	210.6	194.1	317.3	322.4
Other current assets	52.5	166.1	52.8	171.7
Total current Assets	2,197.5	2,266.4	3,581.4	3,569.8
Total Assets	7,356.7	7,366.3	10,152.3	10,130.9

About Us



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

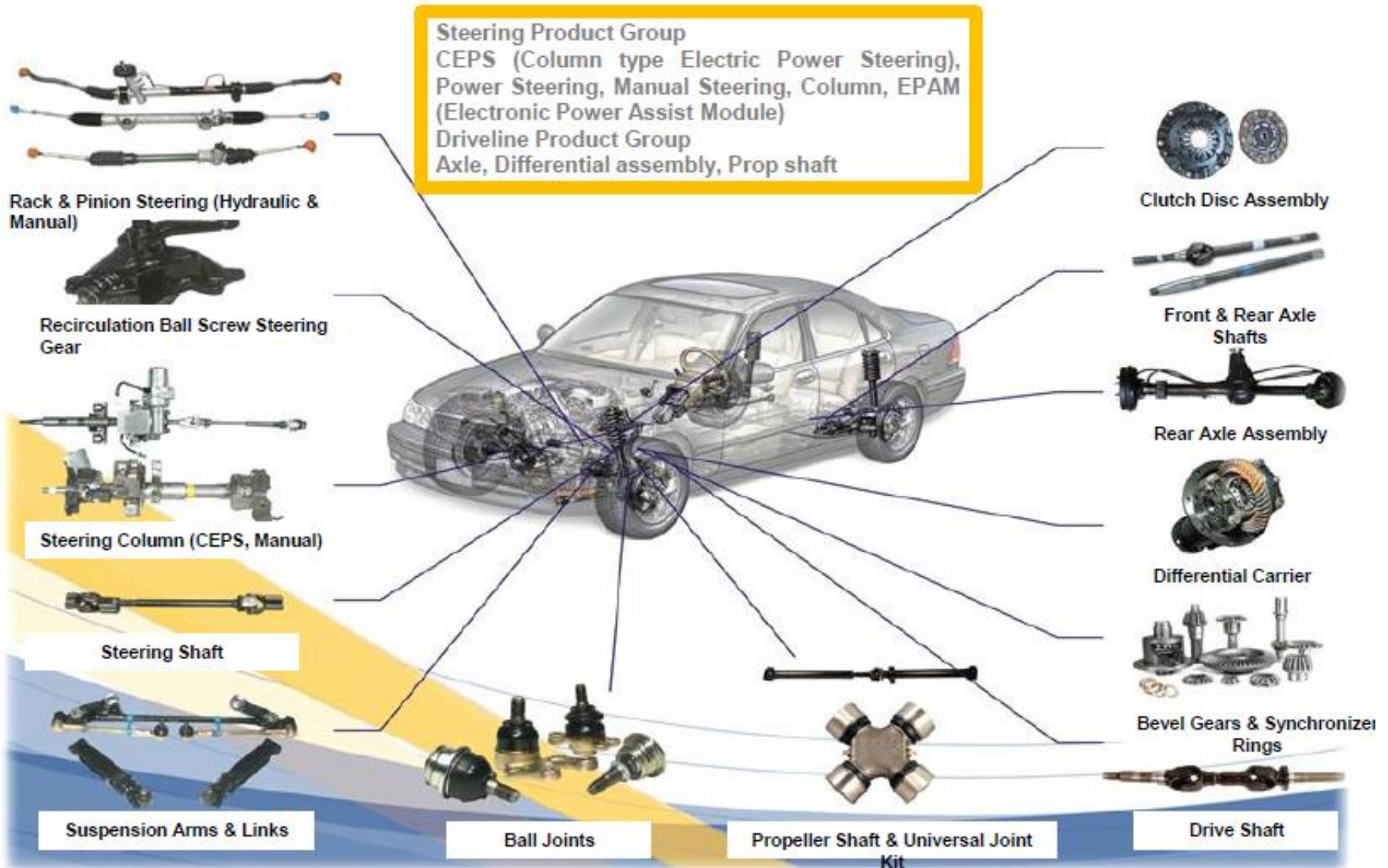
Resilient performance

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

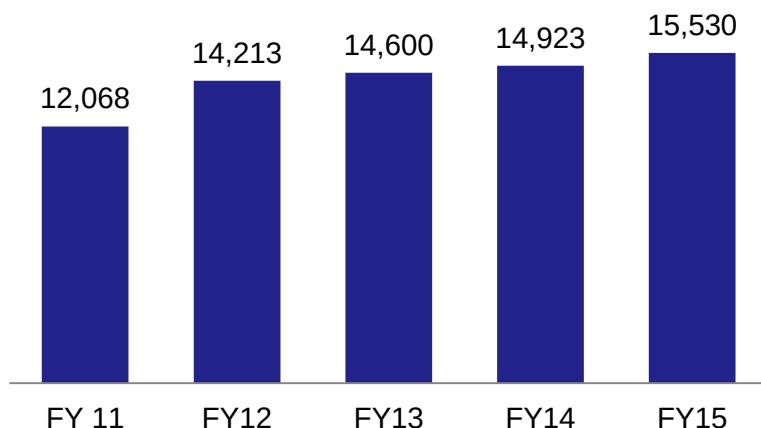


Global

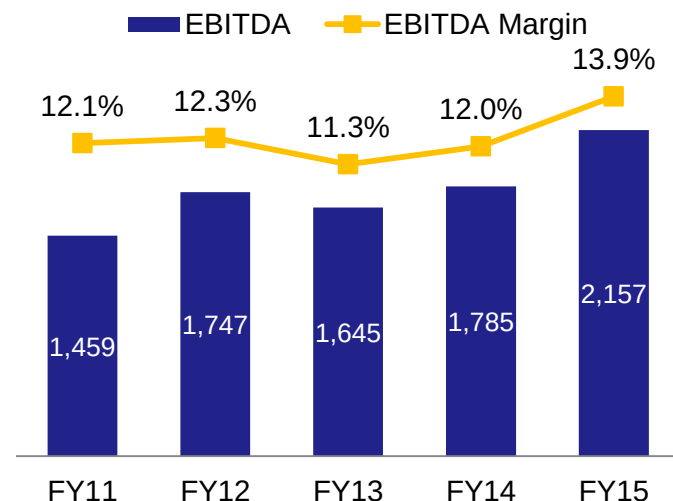


Consolidated financials, Amount in Rs mn

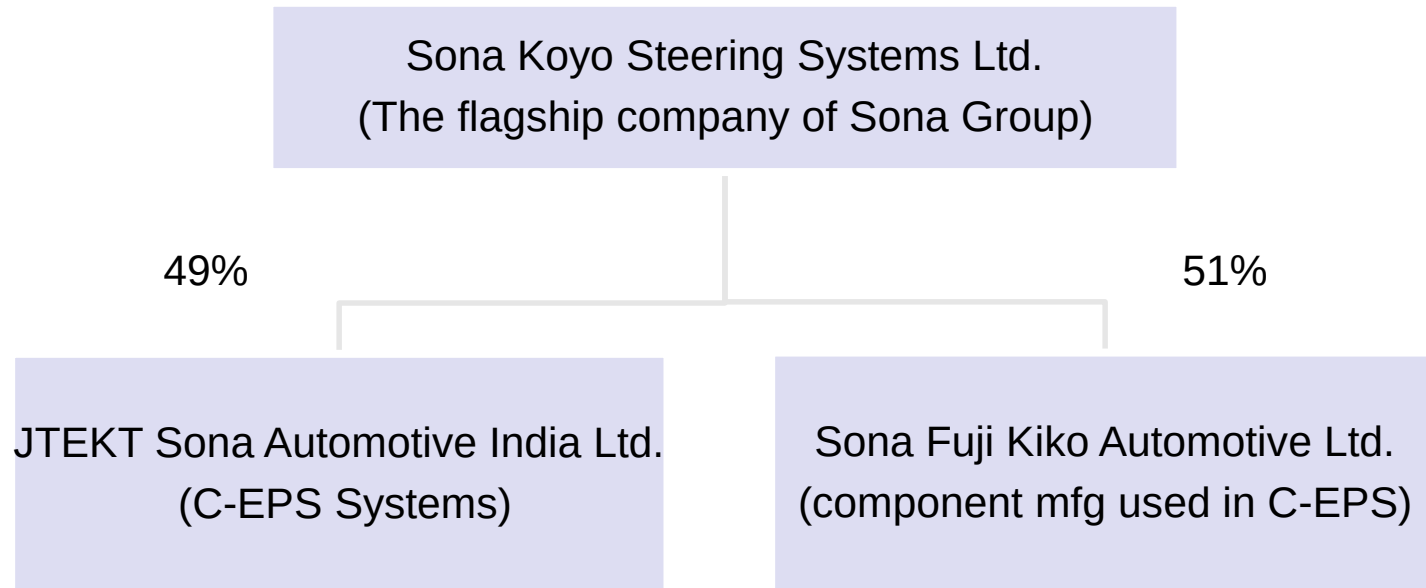
Revenue growing at 7% CAGR



EBITDA expansion led to 10% CAGR

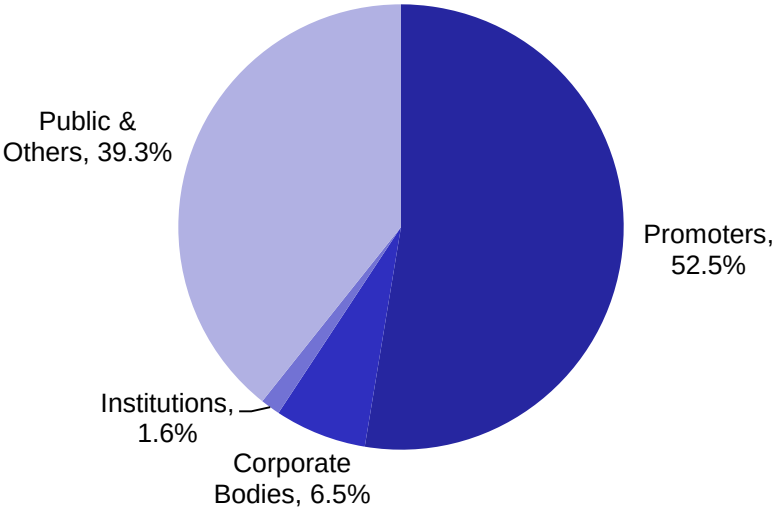


- Maintained positive growth momentum even in industry downturn. FY15 revenue growth improves marginally with revival in passenger vehicle segment of the industry
- Raw material cost has come down owing to localization and backward integration which led to expansion in EBITDA margin

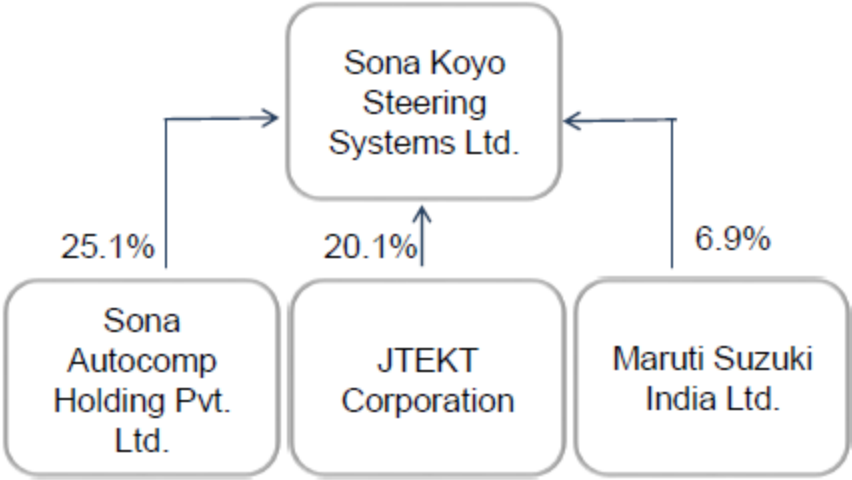


**Shareholding pattern
(As on 30th Sep, 2015)**

Equity Shares Outstanding-198,741,832



**Promoter and Promoter Group
Shares outstanding – 104,394,709**



For any Investor Relations queries please contact:

Rajiv Chanana

Sona Koyo Steering Systems Ltd

Email: rajiv.chanana@sonagroup.com

Tel. No. +91-124-4685000

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.