Investor Update – Q1 FY'14

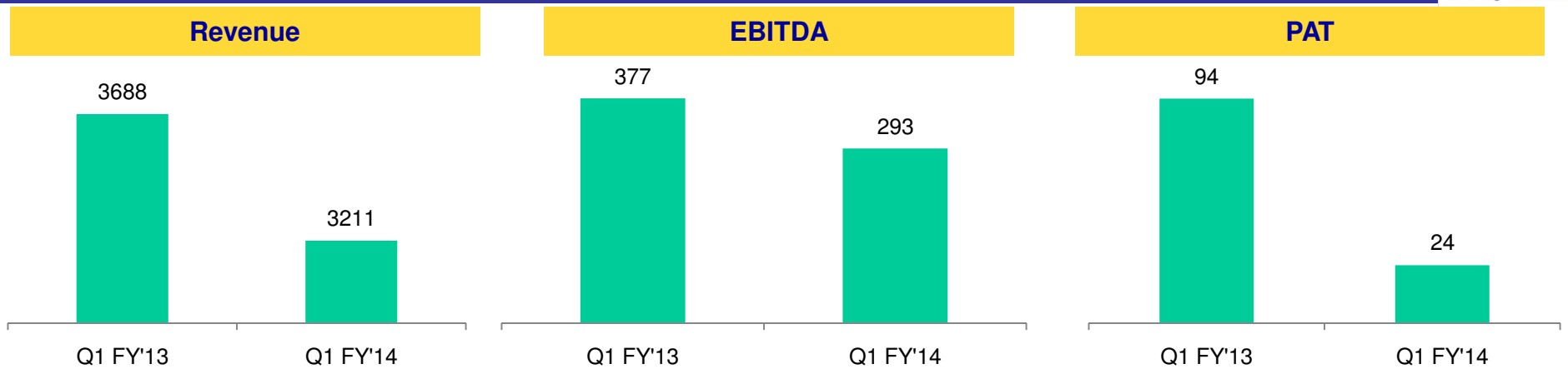
Sona Koyo Steering Systems Ltd.

sona
Driving Tomorrow

August 10, 2013

1.	Performance Review - Consolidated	3
2.	Performance Review - Standalone	6
3.	Operational Highlights	9
4.	Financial Statements	11
5.	Shareholding Pattern	13

YoY: Weak market demand hits revenue in Q1FY14 (consolidated)



- **Consolidated Revenues declined 12.9% YoY from □3,688 mn to □3211 mn due to weak performance of key customers.**
  - ✓ Maruti, contributing ~50% of Sona Koyo's sales posted 10% YoY drop in sales volumes in Q1FY14
  - ✓ Overall industry domestic sales volume declined 2% YoY during Q1FY14.

- **Consolidated EBITDA declined 22.3% YoY to □ 293 mn shrinking margin to 9.1% from 10.2% in Q1'FY13.**
  - ✓ Staff cost increase of 13% YoY to □ 343 mn due to annual increments and increase in other staff welfare benefits

- **Consolidated PAT (before minority interest) declined to □24 mn from □ 94 mn In Q1FY13.**

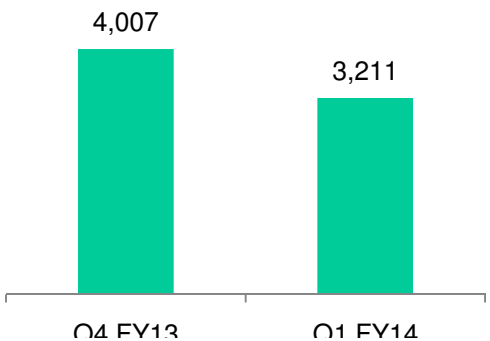
- **Consolidated Net loss (after adjusting for minority interest of □33 mn) was at □ 8.6 mn.**

Refer Slide 11 for detailed P&L Statement

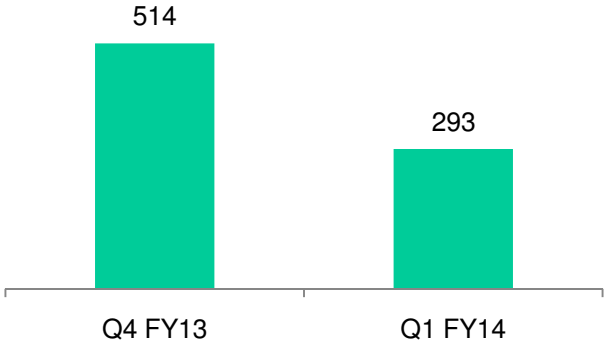
Note: Revenue, wherever mentioned, does not include other income

QoQ: Decline in revenue for Q1FY14 (consolidated)

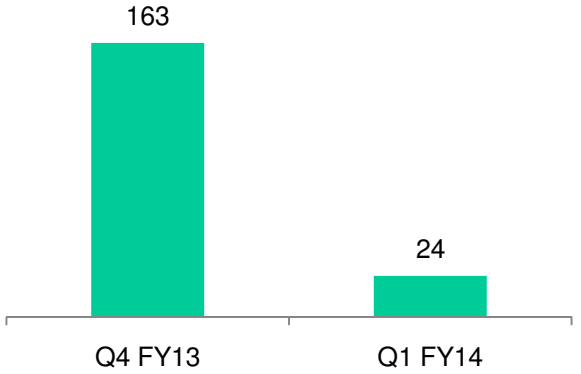
Revenue



EBITDA



PAT

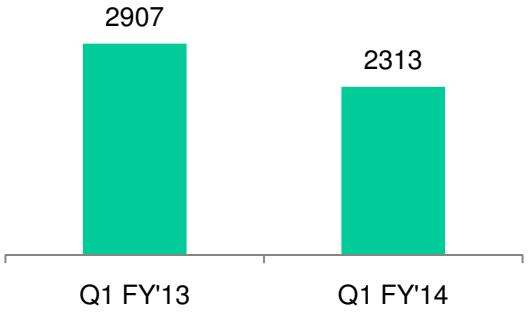


- **Consolidated Revenues declined by 19.9% QoQ from ₹ 4006.6 mn in Q4'FY13 to ₹ 3210.8 mn in Q1'FY14**
  - ✓ Maruti sales volume declined 22% QoQ during Q1FY14.
- **Consolidated EBITDA stood at ₹ 292.7 mn as against ₹ 514 mn.**
- **Consolidated EBITDA margin declined to 9.1% in Q1'FY14 from 12.8% in Q4'FY13**
  - ✓ Staff costs as a % of revenue increased from 8.9% to 10.7%
  - ✓ Other expenses as a % of revenue increased from 9.7% to 11.9%
- **Net loss (after accounting for minority interest) was ₹ 8.6 mn as against net profit of ₹ 135 mn**

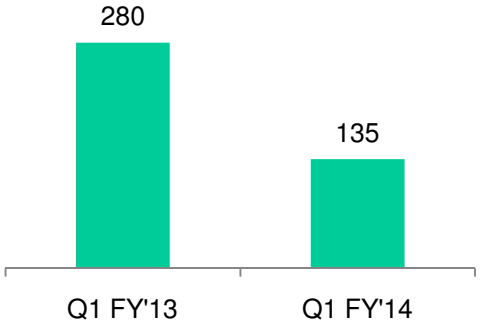
Refer Slide 11 for detailed P&L Statement

YoY: Decline in Revenue & EBITDA in Q1 FY'14 on standalone basis

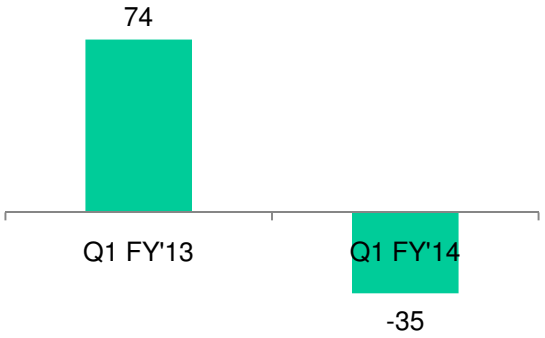
Revenue



EBITDA



PAT

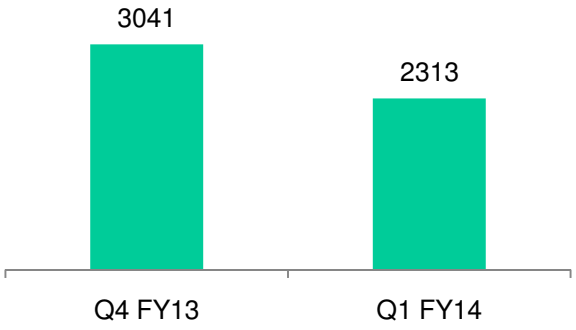


- **Standalone Revenue declined 20.4% YoY from □2,907 mn in Q1'FY13 to □2313 mn in Q1'FY14**
- **Standalone EBITDA declined to □ 135 mn from □ 280 mn with margin decline from 9.6% to 5.9%**
  - ✓ Staff cost as % of revenue increased YoY from 8.8% in Q1FY13 to 12.5% in Q1FY14
  - ✓ Other expenses as % of revenue increased YoY from 9.9% in Q1FY13 to 12.7% in Q1FY14
- **Standalone net loss was at □ 35 mn as against profit of □ 74 mn in the previous quarter.**

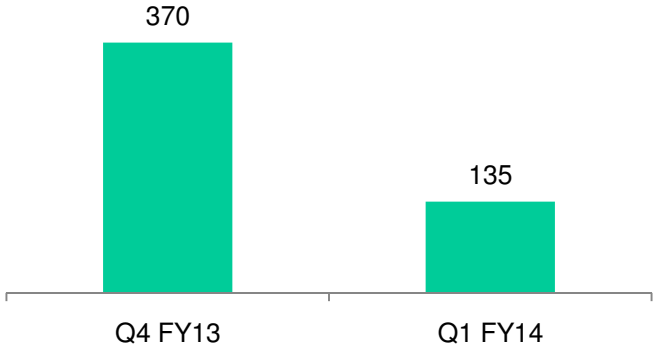
Refer Slide 12 for detailed P&L Statement

QoQ: Staff & other exp increases cause EBITDA margin decline (Standalone)

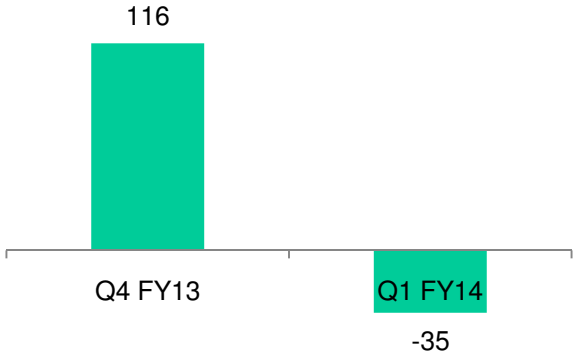
Revenue



EBITDA



PAT



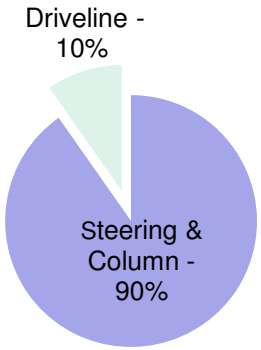
- **Standalone Revenues declined from ₹ 3041.4 mn in Q4'FY13 to ₹ 2312.6 mn in Q1'FY14**
  - ✓ Other income of ₹ 13.4mn
- **Standalone EBITDA for the quarter stood at ₹ 135.4 mn as against ₹ 370 mn in Q4FY13**
- **EBITDA margins declined from 12.2% in Q4'FY13 to 5.9% in Q1'FY14**
  - ✓ Raw material cost as a % of revenues increased from 67.9% in Q4FY13 to 68.9% in Q1'FY14
  - ✓ Staff cost as % of revenue increased QoQ from 10.1% in Q4'FY13 to 12.5% in Q1'FY14
  - ✓ Other expenses as % of revenue increased QoQ from 9.9% in Q4FY13 to 12.7% in Q1'FY14
- **Decline in EBITDA margins coupled with high depreciation and financing cost resulted in a loss of ₹ 34.9 mn for Q1'FY14 as against profit of Rs 116 mn in Q4FY13.**

Refer Slide 12 for detailed P&L Statement

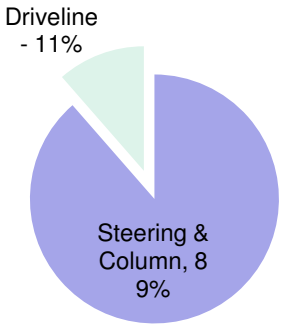
Contribution from EPAM segment led to increase in exports

Product Wise Sales Mix

Q1FY14

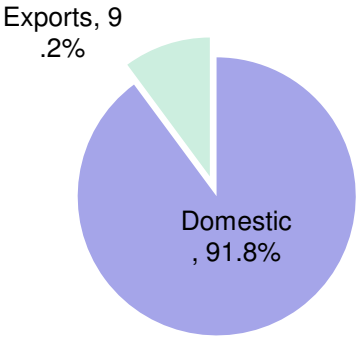


Q1FY13

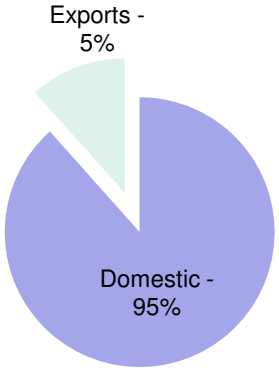


Geographic Sales Mix

Q1 FY14



Q1FY13



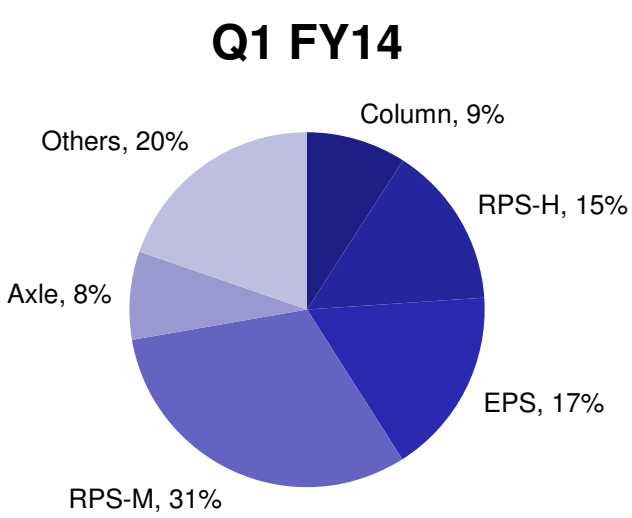
*Note: Break up on standalone basis

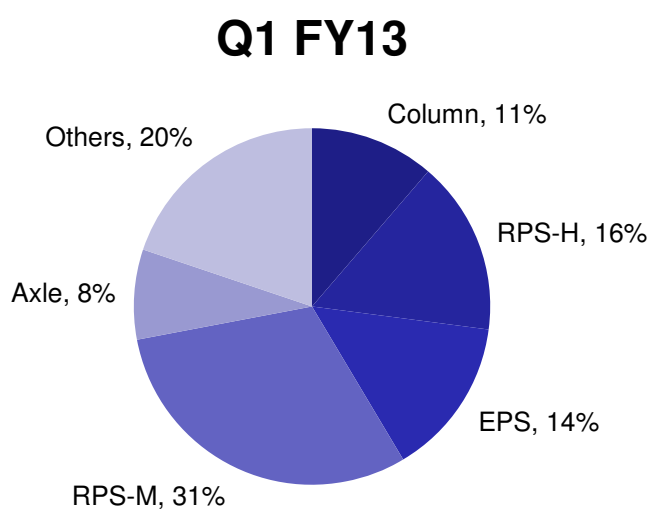
Aided by sustained utilization and diversification in Steering Products

Capacity utilization

- Capacity Utilization across product categories during Q1 FY'14
  - ✓ Steering Products – 63% vs 77% in Q1FY13
  - ✓ Driveline Products – 24% vs 40% in Q1FY13

Diversification in key steering products





- **EPAM Division contributed Rs 109 Mn in Q1FY14 as against Rs 19 Mn in Q1FY13 and Rs 69 Mn in Q4FY13**

Income Statement & Key Ratios - Consolidated

Consolidated Audited Income Statement

Amount in ₹ mn

Particulars	Q1 FY14	Q4 FY13	QoQ (%)	Q1 FY13	YoY (%)	FY'13	FY'12	YoY (%)
Net Income from Operations	3,190.7	3,977.7	-19.8%	3,668.9	-13.0%	14,517.1	14,139.7	2.7%
Other Operating Income	20.1	28.9	-30.6%	19.4	3.2%	83.1	72.8	14.2%
Total Income	**3,210.8**	**4,006.6**	**-19.9%**	**3,688.3**	**-12.9%**	**14,600.2**	**14,212.5**	**2.7%**
Total Expenditure	2,918.1	3,492.3	-16.4%	3,311.9	-11.9%	12,954.8	12,465.8	3.9%
Consumption of Raw Material	2,193.6	2,746.4	-20.1%	2,638.9	-16.9%	10,246.0	9,996.4	2.5%
Staff Cost	343.5	356.7	-3.7%	303.0	13.4%	1,259.0	1,127.6	11.6%
Other Expenditure	381.0	389.2	-2.1%	369.9	3.0%	1,449.8	1,341.7	8.1%
EBITDA	**292.7**	**514.3**	**-43.1%**	**376.4**	**-22.3%**	**1,645.4**	**1,746.7**	**-5.8%**
Depreciation & Amortisation	158.4	155.2	2.1%	132.2	19.8%	585.0	457.5	27.9%
EBIT	**134.3**	**359.1**	**-62.6%**	**244.2**	**-45.0%**	**1,060.5**	**1,289.2**	**-17.7%**
Finance Charges	106.5	106.9	-0.3%	108.0	-1.3%	410.9	459.3	-10.5%
Other Income	9.6	21.9	-56.2%	6.5	47.5%	93.5	30.9	203.0%
Exceptional items			N.A.		#DIV/0!			N.A
(Gain)/Loss on Foreign Currency Loan Translation			N.A.		#DIV/0!			N.A
PBT	**37.3**	**274.1**	**-86.4%**	**142.7**	-73.9%	**743.1**	**860.8**	**-13.7%**
Tax (including deferred)	13.0	111.0	-88.3%	48.6	-73.3%	263.4	258.6	1.9%
PAT (before Minority Interest)	**24.3**	**163.1**	**-85.1%**	**94.1**	-74.1%	**479.7**	**602.2**	**-20.3%**
Share of (Profit)/ Loss to Minority	**32.9**	**28.2**	N.A.	**11.2**	193.1%	**98.8**	**115.1**	N.A
PAT	**(8.6)**	**134.9**	**-106.4%**	**82.9**	**-110.4%**	**380.9**	**487.1**	**-21.8%**

Key Ratios as a % of Total Revenue	Q1 FY14	Q4 FY13	Q1 FY13	FY'13	FY'12
EBIDTA	9.1%	12.8%	10.2%	11.3%	12.3%
PAT	-	3.4%	2.2%	2.6%	3.4%
Total Expenditure	90.9%	87.2%	89.8%	88.7%	87.7%
Raw material	68.3%	68.5%	71.5%	70.2%	70.3%
Staff Cost	10.7%	8.9%	8.2%	8.6%	7.9%
Other Expenditure	11.9%	9.7%	10.0%	9.9%	9.4%

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

Income Statement & Key Ratios - Standalone

Standalone Audited Income Statement

Amount in ₹ mn

Particulars	Q1 FY14	Q4 FY13	QoQ (%)	Q1 FY13	YoY (%)	FY'13	FY'12	YoY (%)
Domestic Sales	2,062.9	2,800.0	-27.5%	2,758.2	1.5%	10,472.0	10,910.0	-4.0%
Exports Sales	233.1	217.0	22.9%	133.7	62.3%	647.0	442.0	46.4%
Net Income from Operations	2,296.0	3,017.0	-23.9%	2,891.9	-20.6%	11,118.4	11,353.02	-2.1%
Other Operating Income	16.6	24.4	-31.9%	14.7	12.9%	67.2	52.3	28.6%
Total Income	**2,312.6**	**3,041.4**	**-24.0%**	**2,906.6**	**-20.4%**	**11,185.6**	**11,405.3**	**-1.9%**
Total Expenditure	2,177.2	2,671.3	-18.5%	2,626.9	-17.1%	10,005.3	10,211.8	-2.0%
Consumption of Raw Material	1,593.5	2,065.1	-22.8%	2,084.0	-23.5%	7,835.0	8,264.7	-5.2%
Staff Cost	289.6	306.2	-5.4%	256.5	12.9%	1,067.4	953.8	11.9%
Other Expenditure	294.1	300.0	-2.0%	286.4	2.7%	1,103.0	993.2	11.0%
EBITDA	**135.4**	**370.1**	**-63.4%**	**279.7**	**-51.6%**	**1,180.3**	**1,193.5**	**-1.1%**
Depreciation & Amortisation	116.9	117.1	-0.2%	98.5	18.7%	431.8	333.4	29.5%
EBIT	**18.5**	**253.0**	**-92.7%**	**181.2**	**-89.8%**	**748.5**	**860.1**	**-13.0%**
Finance Charges	87.2	88.3	-1.3%	78.3	11.3%	335.2	336.9	-0.5%
Other Income	13.4	25.9	-48.3%	8.7	53.5%	55.7	39.6	40.5%
Exceptional items			N.A.		#DIV/0!			N.A
(Gain)/Loss on Foreign Currency Loan Translation			N.A.		#DIV/0!			N.A
PBT	**(55.3)**	**190.6**	**-129.0%**	**111.7**	-149.5%	**469.0**	**562.7**	**-16.7%**
Tax (including deferred)	(20.4)	74.6	-127.4%	37.3	-154.7%	162.8	174.4	-6.6%
PAT (before Minority Interest)	**(34.9)**	**116.0**	**-130.0%**	**74.4**	-146.9%	**306.1**	**388.37**	**-21.2%**
Share of (Profit)/ Loss to Minority			N.A.		#DIV/0!			N.A
PAT	**(34.9)**	**116.0**	**-130.0%**	**74.4**	**-146.9%**	**306.1**	**388.4**	**-21.2%**

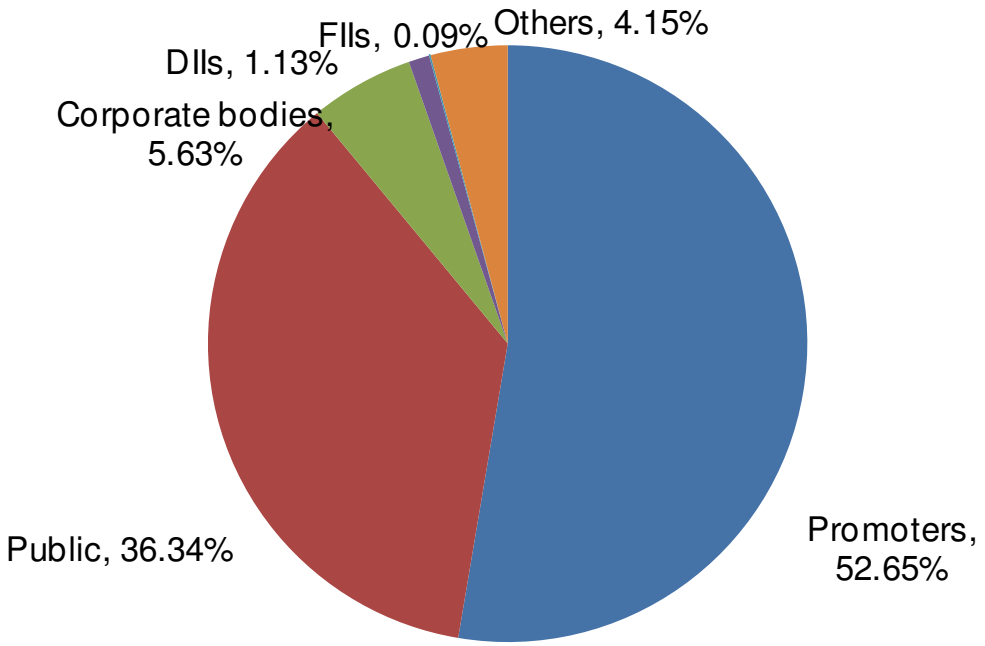
•*Other Expenditure includes manufacturing costs, administrative costs, selling costs and other expenses*

Key Ratios as a % of Total Revenue	Q1 FY14	Q4 FY13	Q1 FY13	FY'13	FY'12
EBIDTA	5.9%	12.2%	9.6%	10.6%	10.5%
PAT	-	3.8%	2.6%	2.7%	3.4%
Total Expenditure	94.1%	87.8%	90.4%	89.4%	89.5%
Raw material	68.9%	67.9%	71.7%	70.0%	72.5%
Staff Cost	12.5%	10.1%	8.8%	9.5%	8.4%
Other Expenditure	12.7%	9.9%	9.9%	9.9%	8.7%

Shareholding Pattern

As on 30th June 2013

Equity Shares Outstanding-198,741,832



Contact Us

For any Investor Relations queries please contact:

Rajiv Chanana - CFO
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.