

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

SONA KOYO STEERING SYSTEMS LTD.

INVESTOR UPDATE

18 July 2005

QUARTER ENDED JUNE 2005

 **FourS Services**
Strategies and Services for Stakeholder Success



I am happy to inform you that the company had another quarter of robust sales growth driven by exports which grew 4 fold YoY. One of the major achievements of the quarter was commencement of supplies of EPS to Maruti from the Gurgaon plant. Also the company's overseas investment in Fuji Autotech France has started giving returns as it received first dividend income of Rs 6.5mn.

However, there was a drop in operating margin due to certain one time costs: air shipment of supplies to Koyo USA to meet the delivery deadline and increase in power cost due to delay in commissioning of new generator in Gurgaon plant.

**Dr Surinder Kapur
Chairman & MD**

Key Highlights

Financial Highlights

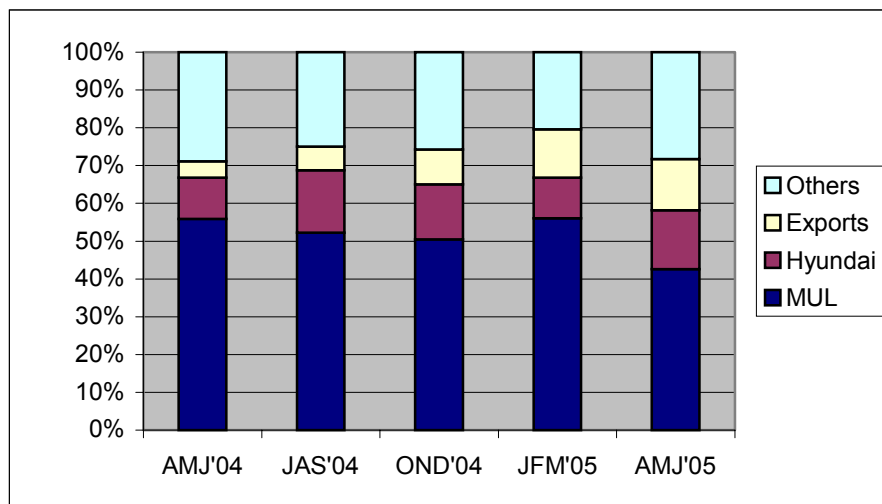
- **Net Income from Operations up 26.4% YoY** at Rs 769.1mn
 - ✓ Exports up 302.5% YoY at Rs 104.3mn
 - ✓ Revenue from Hyundai up 79.2% YoY at Rs 120mn
- **Operating Profits up 5.7% YoY** at Rs 72.1mn
- **Operating Profit Margin down to 9.4%** from 11.2% YoY due to:
 - ✓ Extraordinary cost of air freight for supplies to Koyo USA during the quarter
 - ✓ Higher power and fuel cost on account of delay in commissioning of a new generator
- **Profit after Tax up 17.0% YoY** at Rs 27.9mn:
 - ✓ Company received first dividend of Rs 6.5mn from its investment in Fuji Autotech France

Operational Highlights

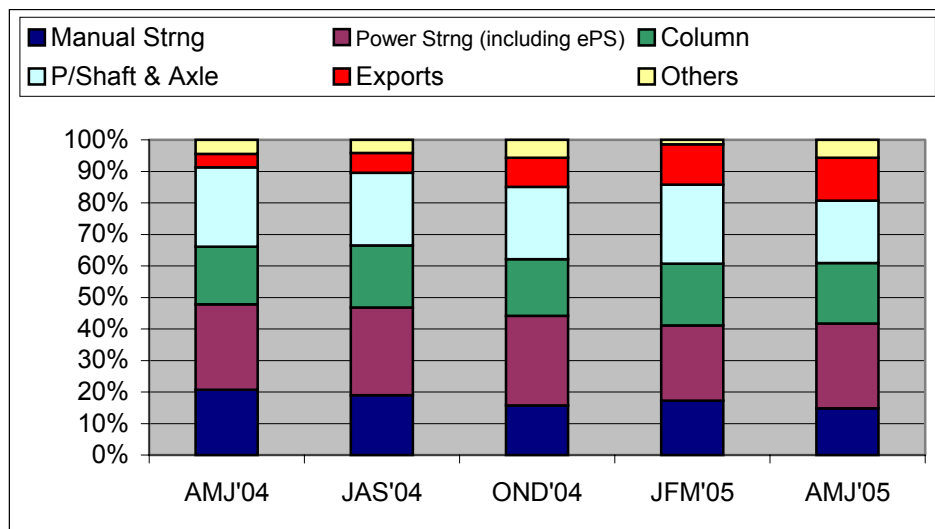
- Company **commenced supplies of Electrically Powered Steering (EPS)** for Maruti Versa model during the quarter
- **The fourth plant in Gurgaon began its commercial production** during the quarter
- A new **export order secured from a US 'off highway' vehicle manufacturer** for supply of steering and column
- Company is **close to acquiring land in Manesar** near Gurgaon to expand capacities.
- **The second production line** at Chennai is **expected to begin commercial production** in the current quarter

Revenue Analysis

Key Customers



Key Products



Revenues further diversified with contribution from MUL down from 55.8% to 42.6% while proportion of revenues from Hyundai up from 11.0% to 15.6% in Q1 FY'06 compared to Q1 FY'05

Commenced supplies of EPS during the quarter

Financials - Quarterly

Profit and Loss Statement

Amount in Rs mn

Particulars	AMJ'04	JFM'05	AMJ'05	% Chg QoQ	% Chg YoY
Net Income from Operations	608.6	873.42	769.1	-11.9%	26.4%
Total Expenditure	540.4	765.2	697.0	-8.9%	29.0%
(a) Consumption of Raw Material	416.4	592.9	528.3	-10.9%	26.9%
(b) Manufacturing cost	32.6	54.5	50.6	-7.1%	55.1%
(c) Staff Cost	58.2	64.6	65.8	1.9%	13.1%
(d) Other Expenditure	33.2	53.2	52.3	-1.7%	57.7%
OPBDIT	68.2	108.2	72.1	-33.4%	5.7%
Depreciation & Amortization	24.7	29.8	28.9	-3.0%	16.9%
OPBIT	43.5	78.5	43.2	-44.9%	-0.6%
Finance Charges	4.7	8.3	10.1	22.0%	117.4%
OPBT	38.8	70.2	33.1	-52.8%	-14.8%
Other Income	2.5	20.0	9.7	-51.6%	295.1%
PBT	41.3	90.1	42.8	-52.5%	3.6%
Tax (including deferred)	17.4	24.5	14.9	-39.2%	-14.7%
PAT	23.9	65.7	27.9	-57.5%	17.0%
<i>EPS (Rs. non-annualised)</i>	0.54	1.49	0.64	-57.5%	17.0%

Key ratios %

Key Ratios	AMJ'04	JFM'05	AMJ'05
OPBDIT/Net Income from Operations	11.2%	12.4%	9.4%*
PAT/ Net Income from Operations	3.9%	7.5%	3.6%*
Total Expenditure/Net Income from Operations	88.8%	87.6%	90.6%
Consumption of Raw material/Net Income from Operations	68.4%	67.9%	68.7%
Staff Cost/Net Income from Operations	9.6%	7.4%	8.6%

* Figures are including extraordinary premium freight incurred during the quarter.

Excluding this extraordinary cost, margins are:

- OPBDT margin – 10.7%
- PAT margin – 4.9%

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.

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